


February

1922

# THE NATION'S BUSINESS



## Gold Bricks in Blocs

By a Man from the Corn Belt

## In Competition's Twilight Zone

By the Former Chief Counsel of the  
Federal Trade Commission

## Cutting Down Industrial Wars

By SECRETARY DAVIS

## How I Use the Business Cycle

By HENRY S. DENNISON

Real Meaning of the Hardwood Decision

Hoover's New Department of Commerce

An International Economic Conference

The Douglas Map of Business Conditions

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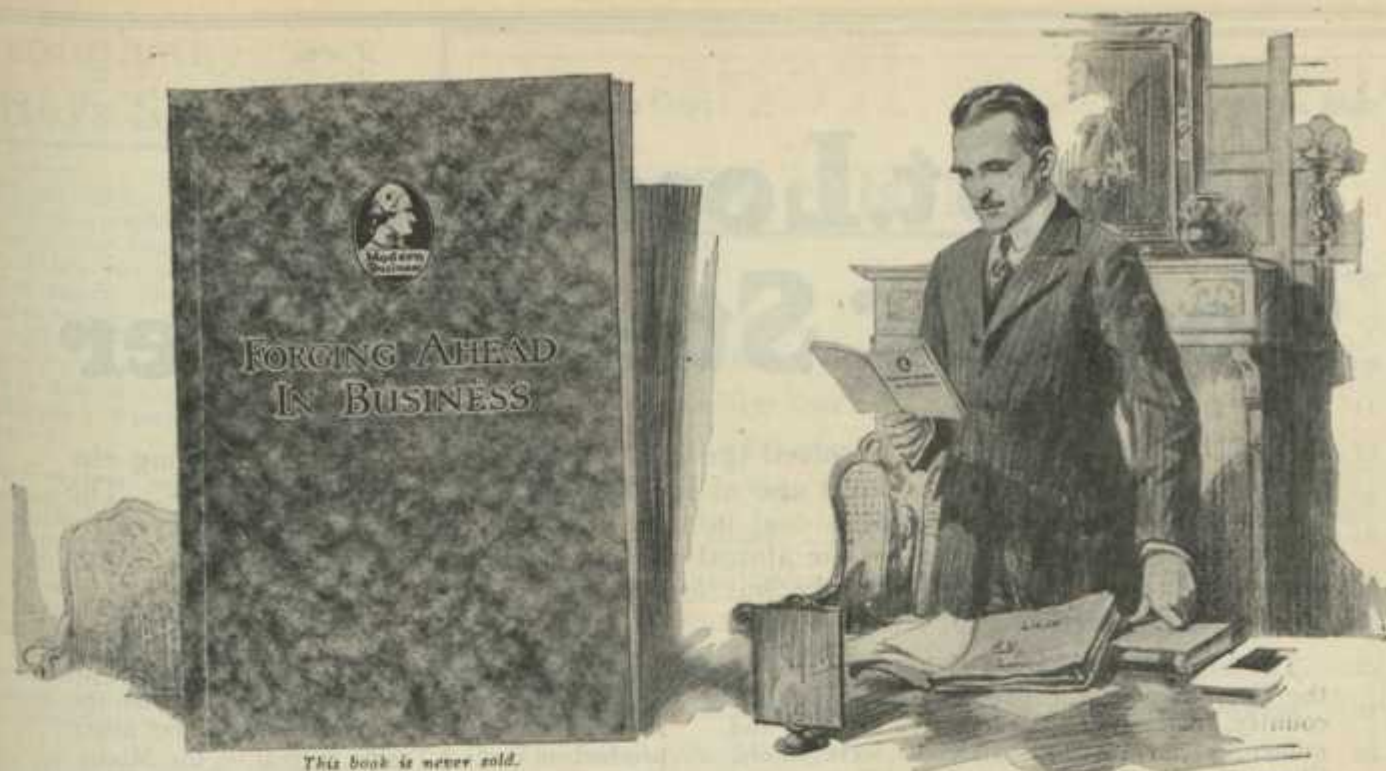
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*But more than 155,000 men found  
in it what they had been seeking*

**H**ERE is a slim little volume of only 120 pages. It is not the work of a famous writer. It is not illustrated by a celebrated artist. It is not even bound in leather; its covers are of paper.

Yet few books published in the English language have had a wider reading. And those who have turned its pages would not part with what it has disclosed to them for many, many times its simple value.

In itself it is only a key—but it is the key that has unlocked the door of the future for many thousands of business men. Alone it cannot add one penny to your income nor advance your business progress a single step. But it is a guide-post that points the way for you to follow—if you will as others have.

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This page is a test of your initiative. It will partly determine whether this book is intended for you.

If the very title of the book—"Forging Ahead in Business"—stirs no response, then turn the page and think no more about it.

But if the phrase "Forging Ahead in Business" does awaken a response, then think of this: plenty of men have the power to start a thing, but few possess the courage and the stamina to carry thru their undertakings.

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The Nation's Business is published on the 25th of every month by the Chamber of Commerce of the United States, Mills Building, Washington, D. C. Subscription price \$2.00 a year; \$3.00 two years; \$7.50 three years; 25 cents a copy. Canadian subscription price \$2.50 a year; 30 cents a copy. Foreign subscription price \$4.00 a year; 40 cents a copy. Entered as second-class matter March 30, 1920, at the Post Office at Washington, D. C., under the Act of March 3, 1879.



# St. Louis — Coming Steel Center

**W**HEN St. Louis recently solved the coke problem it supplied the missing element for making St. Louis one of the country's greatest steel centers. The task of carbonizing Illinois coal into by-product coke has been answered by the marvelous Roberts' oven. The almost unlimited fuel supply adjacent to St. Louis now is available not only for coke but for the gas needed for refining and heat-treating purposes.

The beginning of the steel industry was in the East because the early settlement of the country, the markets, the local ore deposits and numerous forests for charcoal were there. Charcoal was the common fuel for iron and steel industries. When coke from anthracite supplanted charcoal, the industry remained in the East because the anthracite coal fields were in the East.

Then the markets shifted westward as the country developed. The ore deposits of the Northwest became of overwhelming importance. The broad markets for iron and steel in the Middle West attracted steel plants westward toward these new markets and the all-water routes on the Great Lakes to the Northwestern ore fields.

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*Our free booklet "St. Louis as THE Manufacturing Center" will interest you. A letter will bring it.*

**General Secretary**  
**ST. LOUIS CHAMBER of COMMERCE**  
**St. Louis, U.S.A.**

*St. Louis' new \$5,000,000 battery of coke ovens and 500-ton blast furnace.*





# Through the Editor's Spectacles

THE path of the prophet is stony—even when the prophet happens to be our own Uncle Sam. One of the most recent boulders over which he stumbled was the cotton report. Government statisticians managed to miss the actual crop by something over a million bales.

Archer Wall Douglas had a word to say along this line in the December issue of THE NATION'S BUSINESS. We quote the following:

Another weakness in these reports is the great number of people who make them. Condition reports of growing crops are nothing but estimates from observations by human beings, and there is a definite limit to the number of such observations that can be intelligently edited and intelligently expressed in the form of a digest. The belief that such reports can be truly and accurately set forth in a mathematical formula is as erroneous as it is common. If there is wisdom in a multitude of counsellors, there is also foolishness.

There are about 220,000 voluntary crop reporters located in all parts of the United States whose observations head in to the Department of Agriculture at Washington. Add to that weather conditions and insect raids that affect things overnight, and you begin to wonder how the department manages as well as it does.

**LOST OR STOLEN:** The code of ethics for Southern Secretaries adopted two years ago has been lost from the records. Will some member furnish a certified copy for publication?

We lift this note from the bulletin (December 17) of the Southern Commercial Secretaries Association and are passing it along in the hope that we may be of some help in the still hunt for the lost code. Searchers will please bear in mind that (not illogically in the circumstances) any copy turned in must be certified.

**A RECENT** article by Prof. David Friday, estimating the capital accumulation during 1921 in the United States at more than eight billions of dollars, was presented as a semi-sensational discovery. It would have been more than semi-sensational, and a distinctly pleasurable sensation, had it been shown that eight billions were accumulated last year from profits. Further, if allowance is made for the higher money cost of all physical improvements, the 1921 figures do not seem to represent a greater material gain than the four billions to seven billions annually accumulated for several years before the war.

We asked George E. Roberts of the National City Bank about the situation and are quoting an illuminating paragraph of his reply:

I think Prof. Friday exaggerates the significance of the recent activity in the bond market and of the lower return upon investment securities. The National City Company is the largest distributor of investment securities in the country, having some fifty offices over the country. The managers were all here at a meeting last month, and I had opportunity to talk with them about bond sales.

The company had a year of great business, but none of the salesmen with whom I talked thought that the funds going into securities represented the profits of the past year. All agreed that the activity was chiefly due to a

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## THE NATION'S BUSINESS

Vol. 10

No. 2

Published Monthly by the Chamber of Commerce of the United States, Washington, D. C.

MERLE THORPE, Editor and Publisher

F. S. TISDALE, Managing Editor

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General Offices, Mills Bldg., Washington, D. C.

*Eastern Office*  
GEORGE K. MYERS  
Woodworth Bldg., New York

*Western Office*  
VICTOR WHITLOCK  
Otis Bldg., Chicago

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shifting of funds. The falling off of trade and industrial activity, together with the fall of prices, has released a large amount of capital that had been employed in industry and trade. The owners, having it idle on their hands, have shifted it into securities, attracted both by the high interest rates that have been prevailing and by the probability of a rise in the price of securities which always comes as interest rates decline.

Nobody in the bond business regards the present situation as normal or likely to continue very long. In other words, they do not believe that the activity is due to the investment of current profits.

**I**N THE heavy grist of newspaper clippings which come daily into this office, in criticism or in praise of articles printed by THE NATION'S BUSINESS, there has been a large showing recently of Frank K. Nebeker's "After-thought of a Trustbuster." One thing that particularly pleased us was the fact that the Dallas News thought the Nebeker article worth a column editorial in sympathetic vein.

**WE WONDER** if some congressman has discovered an idle volcano in his district. The idea suggested itself when the Geological Survey called us up to inquire when we printed the story telling how the Italians are hitching their engines to volcanoes. A congressman had asked them to get this information for him.

**TO MOST** of our 87,000 subscribers, getting THE NATION'S BUSINESS is a simple thing. But now and then there's one who triumphs over difficulties, who fights his way through any tangle of routine. We are proud to number among the audience of THE NATION'S BUSINESS Honorio Ventura, Chief of the Executive Bureau of the Department of the Interior, Government of the Philippine Islands.

Last August Senior Ventura addressed us as follows:

August 8, 1921.

GENTLEMEN:

I have the honor to inclose herewith postal money order No. 76496 for \$3.00, issued in



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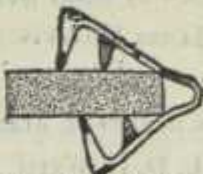
It is significant that modern shops and plants the world over are using Alligator Steel Belt Lacing. This because they find it the most economical and reliable means of belt joining.

It is also worthy of note that manufacturers of the finest grades of belting of every description urge the use of Alligator Steel Belt Lacing. Think of this.

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With Alligator no holes are punched in the belt to weaken the fabric. No bump stretches the belt over the pulleys. No unevenness in tension can develop after the belt is laced.

With the easily made Alligator Joint, broken, flopping and wild running belts caused by uneven lacing are avoided. Alligator permits use of either face of the belting. It saves delays and accrued expenses amounting to hundreds of thousands of dollars annually. These features should appeal to every executive.



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Address \_\_\_\_\_

Name of Inquirer \_\_\_\_\_

favor of the Chamber of Commerce of the United States of America, Washington, D. C., to cover this bureau's subscription to THE NATION'S BUSINESS for the year ending September 30, 1922.

Please acknowledge receipt.

Very respectfully,

(Sgd.) HONORIO VENTURA,  
Chief, Executive Bureau.

The Chamber of Commerce of the United States of America,  
Washington, D. C.

Through the Honorable, the Secretary of the Interior, the Office of the Governor-General, Manila, and the Bureau of Insular Affairs, War Department, Washington, D. C.

Incls.

Copy for:  
The Chamber of Commerce of the United States of America, Washington, D. C.

And it even had a seal.

It takes a long time to hear from Manila, and before we got that letter we had called attention to the expiration. Thereupon we got this:

November 7, 1921.

GENTLEMEN:

With reference to your undated circular letter, inviting the attention of this office to the renewal of its subscription to your publication, THE NATION'S BUSINESS, I have the honor to inform you that this bureau has already paid for its subscription to September 30, 1922, as may be noted from the attached true copy of our letter dated August 8, 1921.

Very respectfully,

HONORIO VENTURA,  
Chief, Executive Bureau.

The Chamber of Commerce of the United States of America,  
Washington, D. C.

Through the Honorable, the Secretary of the Interior, the Office of the Governor-General, Manila, and the Bureau of Insular Affairs, War Department, Washington, D. C., U. S. A.

And it had, besides a marvelous number of file numbers and cryptic initialings, these indorsements:

To the Secretary of the Governor-General, Office of the Governor-General to the Bureau of Insular Affairs.

War Department, Bureau of Insular Affairs.

We repeat: there's a subscriber that really wants to subscribe.

A FRIEND of ours from the west was in the office the other day. We happened to be going through the annual report of the Interior Department at the time, and we called his attention to the following passage in that interesting volume:

As yet the average Indian is not fitted to lead a sedentary agricultural life.

"That," we observed, "is the first time we ever heard farming referred to as a sedentary occupation. We—clinging to the editorial plural—were born on a farm, and about the only time the men about the place sat down was when they came in to meals."

But our friend from the west stood up for the Interior Department.

"Times have changed," he said bromidically. "They have changed on the farm as well as in other places. The farmer doesn't use his feet as much as he used to. He has plows, harrows, seeders, cultivators, tractors, all with seats on them. He does a lot of his work sitting down. He still gets plenty of exercise, but agricultural life is a good deal more sedentary than it was in the past."

THE business men of the country are our best contributing editors. The head of a big coal company stops to write us a



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pleasant word for the January article on coal, and then goes on:

I notice that you say something in regard to the storage of coal. Our company has had some experience in this connection. If you are interested to get the figures of our experience, I will be glad to furnish them, telling you some of the advantages and disadvantages of a producer trying to balance the demand for bituminous by storing a portion of his output.

I know you will appreciate that I am merely offering this as an appreciation of your article, and as an effort to cooperate in the good work you are doing.

WE HAVE prepared the index of THE NATION'S BUSINESS for 1921. It will be sent to any of our subscribers on request.

IN A LETTER commenting on the article "What's Your Label Worth?" G. A. Aylsworth, president of the Aunt Jemima Mills Company gives this proof of the value of his label:

The best evidence of the value of our trademark is the situation in Canada, and I cannot resist commenting about it in this letter. There are several Canadian brands of pancake flour on the market and the universal price for these local brands is around 12½ cents or two for a quarter. They are able to manufacture cheaper in Canada than we can, because wheat is cheaper than it is in the United States, in fact, with a duty of 30 cents a bushel to prevent Canadian wheat coming in here, the Minneapolis mills are buying it every day.

In spite of this fact, our product is shipped from St. Joseph to every bailiwick in Canada, from Nova Scotia to British Columbia, and we pay a heavy freight rate and a very heavy duty, making it necessary for the local dealer up there to charge 25 to 30 cents a package. We are enjoying a good business nevertheless, and every dollar of it comes as a result of the advertising we do in American magazines, that have been read for years in Canada.

APPARENTLY our crusade against the undecipherable business signature has struck a popular chord. T. C. Powell (we are certain of this name), vice-president of the Erie Railroad, writes:

You will be gratified to know that in the Traffic Department of the Erie Railroad the name of the writer is typewritten so that it does not make any difference whether the written signature looks like a "horror" or whether it looks like copper-plate.

And James C. McCrea, vice-president of Walter G. Causey Company, Peoria, Ill., says:

As a civilian entering military service during the war I was much impressed by the simple method of signing letters used in the army. This practice in business correspondence would eliminate some of our annoyances.

Mr. McCrea refers to the army method of typewriting the name just above the signature.

OUR attention is occasionally directed toward the industrial pessimist who declares that the day of individual opportunity is gone in the United States and that there is no chance for a man unless he has powerful backing. There is something to be said on the other side. We might take, for instance, the statement that Henry Ford made to Mrs. Ford which Roger Babson has chronicled:

Remember seventeen years ago when you and I tramped the streets of Detroit to get a chicken for our Thanksgiving dinner and none of the stores would trust us? . . . Seventeen years ago. . . And I paid Uncle Sam \$76,000,000 in taxes last year.

Little reminders of this sort are most wholesome, especially at a time when the country is recovering from a case of the commercial blues.

M.T.

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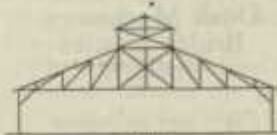
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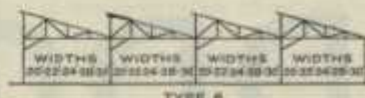
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TYPE 4



TYPE 5  
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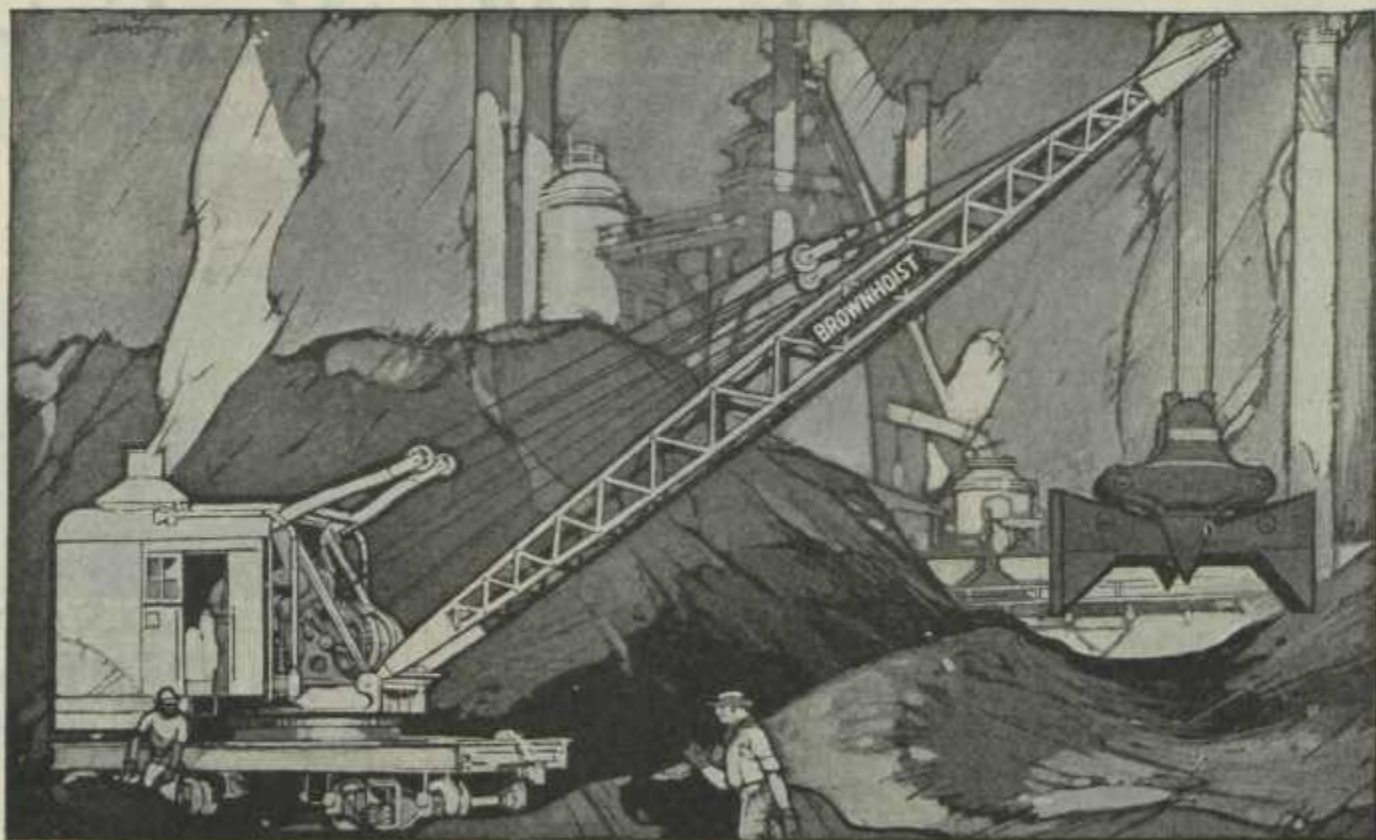


TYPE 6

# PRUDENTIAL

## STEEL BUILDINGS SECTIONAL





*Brownhoist No. 6 Locomotive Crane with 70 ft. boom and Brownhoist Ore Bucket*

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# THE NATION'S BUSINESS

A Magazine for  Business Men

VOLUME 10, NUMBER 2

FEBRUARY, 1922

## Gold Bricks in Blocs

By CHARLES F. SCOTT

### A Voice from the Corn Belt

CHARLES F. SCOTT knows the farmer. He credits the Iola (Kans.) *Daily Register* for a farming audience. During ten years in Congress he served four years as a member of the Committee on Agriculture. The Kansas Agricultural College conferred an LL.D. on him. He is a former regent of the University of Kansas and was for a time acting president of the College of Emporia. He has written several books and is a well-equipped student of public affairs; but first and foremost he knows the farmers' problems and he knows the corn belt.

In a letter accompanying this manuscript Mr. Scott said:

"The farmers have played in awfully hard luck this past year and really deserve sympathy. Right here in Allen County there are many tenant farmers who after a whole year of hard work are actually in debt, the crop they raised not selling for enough to pay their rent. And yet they are brave and patient. Many of them come into my office and make no complaint except 'hard luck.'"

"Two or three mass meetings of farmers have been held in Iola within the last two weeks, and the only resolutions they have adopted have been by way of an appeal for economy in public expenditure, asking that an expensive road program be suspended until times are better, and the like. *No class bitterness or vindictiveness expressed at all.*"

"But the Farm Bloc deserves all the castigation that can be given it."

THE EDITOR

the farmer, lift him out of the depression in which he is common with most other American interests is now suffering and place him on the highway of satisfied and contented prosperity, then they might escape criticism; for any measure which would uplift the country's basic industry would necessarily promote the public welfare. But it requires only the most cursory consideration of the program proposed by this Agricultural Bloc to show that the measures included in that program are either futile or harmful, that they will either be wholly ineffective or actually and actively detrimental, not only to the business interests of the country generally, but to the agricultural interests as well.

It is interesting to note in this connection Senator Moses' statement that there are but two "dirt farmers" in the Upper House, and that neither of them has been asked to share in the councils nor the plans of the Agricultural Bloc. The bloc, it appears, is not unlike a group of spinsters giving kindly advice on how to dose the baby's colic, ignoring meanwhile the experience of those blessed with babies of their own.

Political leaders are extremely anxious about this situation. Business leaders in every community have reason to feel even greater disquiet.

The Agricultural Bloc has broken down party lines. Despite the personal appeal of President Harding that surtaxes be reduced at least to a maximum of 32 per cent, a step the Republican party had sworn itself to take and a step recognized on every hand as vital to the restoration of normal business processes, the farmer group defeated the proposal. That brake remained clamped on business. This was but one of the Bloc's achievements at the special session. It is not surprising, therefore, to find President Harding, in his opening message to this session, saying that there is "vastly greater security, immensely more of the national viewpoint, much larger and prompter accomplishment, where our divisions are along party lines, in the broader and loftier sense, than to divide geographically, or according to pursuit or personal following."

This mild rebuke was supplemented by Secretary Weeks, probably speaking on behalf

THE AGRICULTURAL bloc in Congress is now trying to shape legislation in such a way as to relieve the farmers of taxation and heap the burdens of government upon capitalists or manufacturers. The Labor Bloc is fighting for anything that will help organized labor regardless of its effect upon the rest of the people. Every bloc, whether consciously or not, is disregarding the slogan, "Equal rights for all," and is seeking special privileges for a few.

Fundamentally the farmers of America are conservative, fair-minded and patriotic. They do not intentionally injure any other class of the people and they do not consciously seek special privileges for themselves. The reason they are so often put in the attitude of doing both of those things is that they are not political economists, with a wide horizon and a clear comprehension of the inter-relationship of all lines of industrial, commercial and financial activities, and therefore are easily made the victims of false or shallow-minded leadership—leadership which is either consciously demagogical or ignorantly wrong-headed.

These men know! They know, for example, that surtaxes ought to be reduced. They oppose such reduction out of sheer demagoguery, because they think they can go back to their farmer constituents and get votes by telling them how they piled the taxes "where they belong, on the backs of the rich." They know that this bi-partisan, group, class method of controlling legislation is all wrong, subversive of stable government, and they pursue it for purely personal, selfish, political reasons. They deserve to be crucified, first for misleading the farmers, second for demagoguery, and third for menacing the Republic!

For generations the farmers have suffered, and they are suffering now, from such leadership. Again and again in the course of our history men have come to the front (every period of "hard times" produces a new brood) who have told the farmer that there is abroad in the land a fell conspiracy to deprive him of his just deserts, to restrict him to a niggardly dole for his labor, to deliver him into the clutches of the "money kings"; and then have offered themselves and their

panaceas as a way out of all these woes. It is no wonder that the farmer now and then has come to the point where he suffered from delusions of persecution, and it is no wonder that again and again he has been brought to support measures that promised easy and quick relief but which in performance proved to be only quack nostrums, leaving the last condition of the patient worse than the first.

The latest manifestation of this false or shallow-minded leadership is the bi-partisan group of senators and representatives who, in the name and in the assumed interest of the farmer, have brought forward and to some extent already have forced upon the statute books a list of measures that not only betray the grossest favoritism toward the farmer but are equally and indiscriminately hostile to all other American interests.

If these measures tended in reality to help



of the administration, when he publicly attacked the group. Senator King of Utah, in the November number of *THE NATION'S BUSINESS*, revealed the fundamental menace to American institutions of class legislation, such as the farmers' Bloc seeks. These straws show which way the political wind blows. But if those who believe in the preservation of the great parties and in the orderly process of organized self-control are unaffectedly alarmed, how much more cause has the business man for concern!

At the special session the Agricultural Bloc prevented legislation for the relief of the railroads. This stroke of blind malice hurt the farmer as much as it hurt other business men, for our commercial life depends upon a sound transportation system. The Bloc put through the bills for control of the packing industry and of the grain exchanges. The Bloc forced through the emergency tariff, which admittedly brought the farmer no relief but was calculated to make the American consumer pay more for the necessities of life. The Bloc enacted legislation to put half a billion dollars of Treasury funds at the disposal of the farmer, that he might hold his crops for higher prices. This also tended to increase the cost of living; and it was the kind of legislation which, had it been enacted to enable manufacturers to hold stocks bought at high prices instead of liquidating them at enormous loss, would have brought an uproar of protest from the farming public.

#### He Made Enormous Profits

THE truth of the matter is that the farmer reaped enormous profits during the war and the period of inflation afterward. Now that hard times and liquidation have come, he must forego part of his profits. The Agricultural Bloc is his public whimperer, like a hired mourner.

The Bloc has put through a law to increase the interest rate on farm loan bonds to 5½ per cent, while the rate of interest to the farmer-borrower remained unchanged. The bonds are tax-exempt. What would the farmer say if money were thus handed over to New England woolen mills at the expense of the public treasury and, in most instances, at a rate economically unsound?

The farmer has always been led to hope for political panaceas when hard times overtook him, because he was first hit and often hardest hit under the operation of that inescapable economic law whereby the prices of raw materials are first to fall. As a rule escape held out to him has been cheap money. The farmer was behind Bryan and the fifty-cent dollar in 1896, and it was in the rural communities that the shibboleth of sixteen to one was chanted most ardently. He has been a misguided advocate of greenbackism and populism and fiat currency.

Apparently the Agricultural Bloc realizes that forthright attempts to create inflation or a fiat currency will not be tolerated in this country now—not while we look on at the

desperate depreciation of European currencies from that cause. But it still regards the Federal Reserve System (which by common consent had a large share in winning the World War and in averting the suspension of specie payment as an aftermath) as its sworn enemy. And so it is demanding that one of the five members of the Federal Reserve Board be a farmer.

The governors of this, the greatest (and, I believe, the best) banking system in the world, should be men trained to a task requiring special knowledge and judgment. To ask a farmer to sit there is like asking a farmer to treat typhoid fever or to translate Sanskrit. But the Farmer Bloc insists that the Federal Reserve System as constituted is his enemy, and that his only recourse is in representation on the board.

"Agriculture has died under the withering touch of this Federal Reserve System," cries Senator Heflin from the floor, in debating the bill. "It ordered credit refused to farmers who were holding their crops for better prices on the ground that this is gambling. It murdered the cotton industry in the South."

Senators Kenyon, Capper, and Ladd of North Dakota share these views. So do other members of the Bloc. But mature opinion opposes the kind of banking system which was set up, for instance, in North Dakota. It objects to class legislation, such as is proposed in the present measure.

"The Federal Reserve Board," said Senator Edge, "should not be composed of men representing any special group or interest, but men who would represent the entire country." And Senator McLean said that two branches of the Government above all others should be kept free from politics—the Supreme Court and the Federal Reserve.

The Agricultural Bloc, not content with tampering with the country's financial system, plans to put through a bill restricting the use of shoddy and substitutes for wool, even

to those who wish to buy the cheaper materials; another of its bills would regulate the length of time commodities may be kept in cold storage, although it is worth noting that the War Finance Corporation does not regulate the length of time the farmer may keep his grain in storage, by means of Federal funds advanced through the corporation; another bill would extend Federal aid to highway construction along lines said to be favored by farmers and opposed by automobilists generally. All these are specimens of class legislation. They represent, not the will of the majority, but the desire of a special class.

For the leaders of the farmer persist in regarding him as a member of a special group. As a matter of fact his prosperity is inseparably intertwined with the prosperity of the whole country, and the country's prosperity depends upon his. We had a remarkable reminder of this recently when W. H. Woodlin, president of the American Car and Foundry Company (which, being a railroad equipment industry, we would naturally suppose to be more nearly independent of farming than others), said: "Like other lines of business, the equipment industry depends to a big extent on the American farmer"; and he explained that the slump in his business, except in repair work, was due to the slump in the price of farm products.

#### Keeping Back the Truth

THE farmer's political champions will not let him believe this because they will not look in the face the fact that prices on manufactured articles are logically slow to fall. They think that the manufacturer has worked some kind of legerdemain. The only legerdemain is economic law. And if they did but know it, decreased purchasing power on the farmer's part hurts the manufacturer about as much as it hurts him. Figures compiled by the Bureau of Labor show that the average value of the farmer's products for 1921 were about 20 per cent higher than in the last pre-war year, 1913. The wholesale price of manufactured articles averaged about 70 per cent above 1913, but owing to the decreased purchasing power of farmers (who constitute the largest consuming group outside factory employees) many factories were closed down and others were only operating part time. Thus the output of manufactured articles was cut down. The volume of production decreased. The selling price for farm products last year was about twelve billions. The value added by manufacture to the country's commodities that year is estimated at about twelve billions.

Prof. David Friday has made a comparison which shows that the value of farm products and the value added by manufacture were the same not only last year but in other years. It was not a mere coincidence in 1921. The Department of Agriculture compiles one set of figures, and the Census of Manufactures compiles the other independently; and Mr. Friday has prepared a table, representing all





the years when both sets of figures are available, which discloses this astonishing result:

Year	Value of all farm products	Value added by manufacture
1899	\$4,717,000	\$4,811,000
1904	6,122,000	6,293,000
1909	8,558,000	8,529,000
1914	9,895,000	9,878,000
1919	24,982,000	25,500,000

Which of these sets of figures is cause and which effect, or whether both are resultants in part of other factors not shown in the table, need not concern us here. The interesting fact is the relation they show between the farm and the factory. They demonstrate beyond peradventure the interdependence of agricultural well-being with manufacturing well-being. No one will deny that banking and wholesaling and retailing prosperity depend upon manufacturing and farming prosperity. No one will deny that the welfare of

one industry affects the welfare of all others. That is to say, no one will deny this except perhaps those spokesmen for the farmer, who insist on legislation intended to benefit him alone, at the cost of the remainder of the public.

This situation is not peculiar to the United States. In Canada the United Farmers of Alberta, running candidates on a platform of "government by systematically organized groups" (which is also the goal of Guild Socialism) have won the provincial general election by a large majority. In Quebec an entirely new farmers' organization, called the "National Progressive Party" threatens to take the saddle. The labor element has formed, it should be said, its own party, so that Canada has in prospect four political parties and strictly class legislation, depending on which controls the balance of power. Reports from the Dominion indicate that the agricultural politicians are hopeful of ob-

taining such control there as they have procured in this country. Evidently they are as muddled and as selfish in their economic and political ideas as are the farmers' leaders in the United States.

Probably the farmers who rail against capitalism are themselves unaware that they, as owners of the means of production, are the largest capitalist class in the United States. Probably they are unaware that in forcing through spiteful laws aimed to cripple other industries they are hurting their own industry. They may even be unaware that farm prices cannot recover in this country until they recover in Europe—since the American farmers' product must compete on the international market with the European product. Ignorance such as this cannot be dissipated over night. Other means must be found to curb the activities of the Agricultural Bloc. It is for the American business community to find them.

# How I Use the Business Cycle

By HENRY S. DENNISON

President, Dennison Manufacturing Company

THE HEAD of a cotton manufacturing concern was in the depths of despair. Blue radiated from him. He told his troubles to a friend who had been the head of the statistical department of one of our biggest corporations and he wound up by saying:

"And I'm afraid we'll have to go to the banks for help for the first time in fifty years."

"What would you say if I told you that you would be turning out at least 70 per cent of normal output by May 1?" asked the friend. (This was in the early days of the depression of 1920.)

The cotton man looked unbelieving, but a few months later he met the statistical expert and said:

"Why didn't you tell me I'd be working night and day, not just 70 per cent, while you were about it?"

"I contented myself," said the business prophet, "with asking him if he had gone back over his own business record for the depression period of 1907-08 as I had told him to. He hadn't, of course. If he had, he would have seen that in periods of downward business his industry, cotton, runs counter to most others. There's a simple enough reason. Wool is pushed aside for cotton as times grow hard."

I have told this simple story because it illustrates what we learn from a study of those alternating periods of business activity and depression which we are accustomed to call cycles and which come at more or less regular intervals.

The danger in that word "cycle" perhaps is that it gives too great a suggestion of regularity, of even periods of rise and fall. There was a time in this country when it seemed as if ten years completed a cycle and we had panics in '37, '47 and '57. But the very complexity of modern life perhaps has introduced new elements which make the cycle less regular. It is that complexity also that made, as I see it, the business cycle, at least in manufacture.

A few, a very few generations ago, manufacturing was by individual craftsmen who made to order and delivered almost direct to the consumer. Now there is a multiplicity of steps between maker and user. So the

## Theory With Practice

IT IS not easy to find a man who holds theories about business management and who has had the opportunity successfully to put those theories in practice. As a member of the Federal Trade Commission said to me not long ago:

"We find a dozen men who are conducting large businesses who can tell us 'how' they do it to one who can tell us 'why.'"

It was that combination of "how" and "why" which made Mr. Dennison so welcome and so effective a speaker at the recent meeting of the American Statistical Association. In that address Mr. Dennison covered more in detail and with illustrative charts some of the material which he offers our readers here. Those who desire to go more deeply into the subject will find of service that paper which will appear in the March number of the *Journal* of the American Statistical Association of which Prof. Robert E. Chaddock of Columbia is Secretary.

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maker regulates supply not by the actual demand but by what he thinks the demand will be. If he always thought right there might be no such thing as a business cycle.

Three chief factors go to make up the demand for an article or a group of articles: requirements, financial resources and price expectation. To put it concretely: I may need a suit of clothes and not have money enough to buy it; I may need a suit of clothes and have money enough to buy it but refuse because I believe that prices are on the way down; or I may have the need, the money and the expectation that prices will go up.

It is an axiom that both consumer and

dealer buy relatively more when they think prices are going up than when they think prices are going down, but the consumer buying sometimes stops sooner than dealer buying, and this I believe was an important factor in the recent depression. On the up-grade of the cycle, the country as a whole was stocking up with goods to be withdrawn slowly only after the tide turned and we came into a time of depression and reduced production.

A great need, then, of modern industry and commerce is for intelligent direction which looks well beyond the feeling of the moment. The business man must get the habit of planning and budgeting, of fixing careful attention upon the future. As the use of such planning becomes habitual, unbridled guessing will be displaced by more careful estimates—by guessing guided by all available facts. The manufacturer has no more important problem than that of forecasting the demand for his products. He cannot afford to be misled by outward appearances and such phrases as "The shelves of the country are bare" or "The shelves of the country are glutted." He must have full and timely statistics well and clearly presented.

He must not be afraid of being called a pessimist for fear that he will affect the country adversely through proper pessimism. The time to be a bull in the United States is not when everybody else is a bull. At that time the country is surfeited with bulls. The time when the country needs bulls is when bears are running wild. It is no credit to be optimistic when the country is suffering from over-production.

Any business man who undertakes to apply to the future a knowledge of the past finds himself obliged to watch three things: the trend of general business, of his own industry as a whole, and of his particular part of that industry.

All this may sound like talking generalities. Let me tell what I and my associates have sought to do in the Dennison Manufacturing Company as to purchasing, merchandising and the building up of investment.

No man is more interested in the cycle—in the swing of the pendulum from high to low and back to high than the purchasing agent. His is the duty of looking ahead:



first, to gauge his requirements, and second, to decide at what price to buy. For the first he will have to depend largely on the planning department, but within certain limits he will vary the amounts bought according to existing and probable prices.

Before the war we started to try out an interesting experiment in our purchasing department. The unusual conditions of the war interfered somewhat with the development and extension of our plan, but now we are getting it under way again. Briefly, our idea is this: We have figured out roughly the maximum and minimum inventories of each important raw material which we are willing to carry at different periods of the cycle. Then we have charted over a long period the prices of the commodities, and through this we have drawn a line showing the secular trend. Approximately parallel to and a certain distance above and below this middle line we have drawn what we call our minimum and maximum purchase lines. Then we vary our actual purchases according to the position of actual prices relative to these three lines.

### Fixing the Buying Point

THE minimum purchase line represents the smallest amount we dare carry for current needs, and the maximum line represents the most that we consider it wise to tie up in inventories. Suppose on a certain material that our standard quantity to order is six weeks' supply. If prices are below the line of secular trend we may buy up to twelve weeks' supply, but if prices are above we may buy not more than two weeks' supply. We make no attempt to fix the actual turning point. That is impossible. Most purchasing agents who wait for the actual turning point buy too late or too much.

I do not mean to infer that our purchasing is a purely automatic affair, but merely that we have found it wise to use certain mechanical guides. The one great temptation always before a purchasing agent is to buy far beyond estimated needs on a rising market. Each day the problem of how much to buy comes up on some individual commodity, and at that time there seems to be every reason for buying up a long time ahead. Then, unless some guiding rules are followed, the result is likely to be such that in emergencies the management is apt to find that it has too much money tied up in inventories.

I doubt if the American business structure has yet gone far enough in divorcing manufacturing and merchandising from speculation. It is quite as dangerous to speculate in goods as to speculate in stocks. Merchandise cannot be sold as quickly as stocks, for the merchandise markets lack the facilities of the stock exchanges.

The same precautions that we use in buying we use in adding to our fixed investment. As the business cycle advances, then the heads of a corporation should more and more carefully scrutinize each project put before them by the engineering staff. They will find that, while they should be completed as to planning, many projects can be postponed as to execution with profit to the company and community as well. In the boom before 1873, Andrew Carnegie, when asked by A. B. Farquhar why he did not build more furnaces, said that it would be cheaper to wait and buy the furnaces that other men were building. He did not exactly foresee the panic that was to come, but he knew merely that the steel industry was expanding faster than the market could assimilate, and it was therefore evident to him that a number of projects were doomed to failure.

It takes time to draw up building plans and discuss them, and after construction is started it takes a long time to finish buildings and fill them with machinery. Hence the business man cannot afford to wait until his present facilities are overtaxed before he begins to consider adding more. Those who do so wait are apt to find their added capacity becoming available at just the time when they ought to be curtailing their output. They build their fixed assets when they cost the most and finish them when they are needed least.

The only way to avoid this is to study the long-range trend of your business; find out the rate of normal growth, and build for it. In our company we have charted our line of growth for different facilities over a period of twenty years or more, and on this basis we estimate our future requirements. When building and machinery prices are below the secular trend we build a little more than to the normal line, and when they are above we build less or stop building entirely. We do not try to build at the exact bottom of the market. It would be even harder to hit the exact bottom in building than in raw materials.

Of course, if we have not the money during depression we cannot build; but it is a reward of good planning and strong restraint during booms to have the money.

On the rise of the cycle, cash requirements increase out of the ordinary proportion because of the lag between outgo and income. During the full swing of the cycle the relation between quick assets and quick liabilities must vary tremendously. The 2 to 1 ratio which has largely been applied in banking may thus be proper through some sectors of the cycle and very dangerous at others.

A knowledge of the cyclical trend is very important in the determination of how much should be distributed in dividends and how

much should be withheld as reserve or surplus. The only way to reach a proper solution is to make some estimate of what the cash requirements and probable profits will be for the next few years, and act within the safe limits of probability.

Our credit plans are affected as vitally as our buying and our fixed investment planning. During boom times orders are free and credits easy; nevertheless, it is then that a credit department can get busy and save a good bit of the losses during depressions. For when orders begin to crowd capacity some must be lost on account of delivery. The credit department should do its best to save the company from losing a prompt customer to serve a shaky one. In our own case we use the over-sold boom times to improve the average dependability of our accounts by stiffening our standards at the credit desk. New orders are then seldom accepted from customers of poor record.

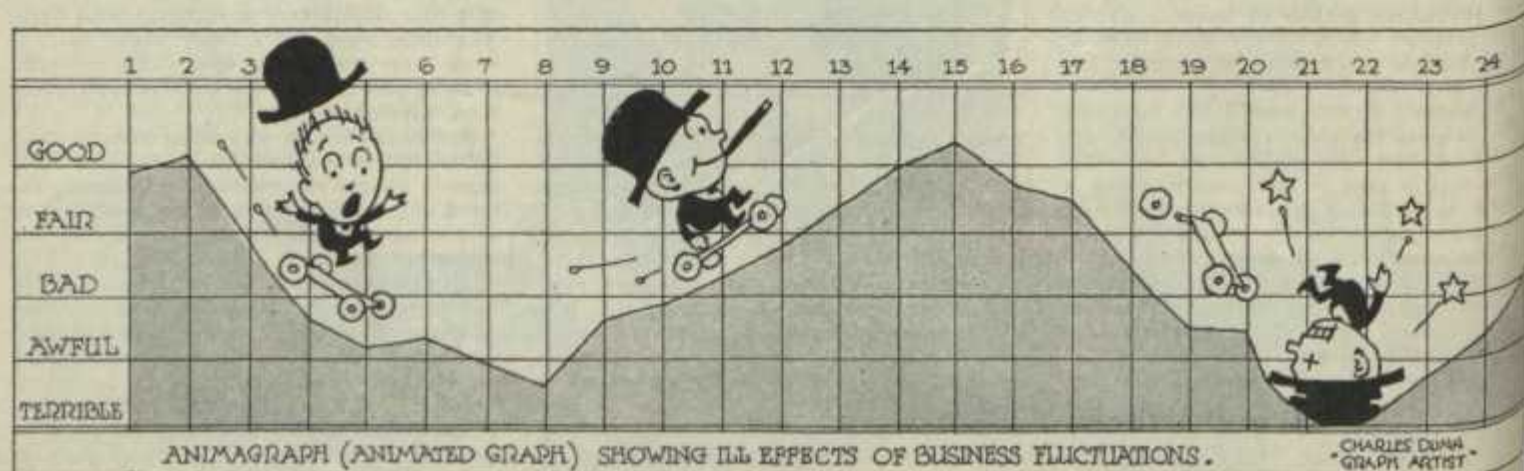
Collections begin to fall off when a depression starts, and as soon as the first signs of the coming slump become evident we make arrangements to follow more closely all fair-sized accounts just as soon as possible after the date of maturity.

### When Collections Are Slow

ON account of the difficulty of collecting during depression, the temptation is to restrict credit during such times. This, we believe, is a mistake if it results in the curtailment of sales when sales are needed most. One must scrutinize credit very carefully at such times, but it pays to take a great deal bigger chance when one needs the orders than when they are not needed. We expect, of course, a bigger ratio of loss in depression, but so far as possible we want that loss to result from orders taken when they were needed, rather than from orders taken months before, manufactured on overtime pay and in conflict with orders for good pay customers.

The results we can show from adopting a policy of rigid credits during times of expansion are interesting. Scientifically, of course, they cannot be called conclusive, since they represent only one experiment, but they bear out very well the suppositions. During the depression extending from September, 1914, to August, 1915, our losses to our sales were .0052. During the prosperous year of 1920 they were .0005. During the eleven months of depression in 1921, following the careful preparation of the credit department, they have been .0013. It would seem on the surface, therefore, that we had reduced our losses 75 per cent by this policy of preparedness.

How do we market our goods when times are bad; when the cycle has gone on into a period of depression? Largely by being pre-





pared for it by holding back on new lines of merchandise when our factory has all it can do to fill orders for those already established. We do our planning of new things before the depression comes, but we don't launch them until the buying appetite is jaded and needs the stimulus of novelty.

Above all things, we do not fire our salesmen during times of depression. The time to fire salesmen, if we are going to fire them at all, is during prosperity when we have more orders than we need. Depression is the time to take on more salesmen, if finances will in any way allow, and finances will allow if our vision has been keen enough and we have had the moral courage to keep ourselves in check when everyone seemed to be saying himself:

"Good times are here and they'll never end."

Advertising, which is one way of merchandising, is a case in point. Make your new advertising plans in times of prosperity. Have them ready to put out when the right moment comes, and that moment is when things are dropping. What is the use of a manufacturer's advertising when he already has all the orders he needs? Let him save up his ammunition, prepare his plans and carry them out when he needs business. We have found it wise to make an advertising appropriation over a five-year period and to school ourselves to conserve that fund for the time most needed.

These are a few of the practical ways in which a study of business cycles may be

turned into dollars and cents. I should be the last to claim a power of prophecy. At best, perhaps, all our study can do is tell us not even where we are going but only "where we are at." Our estimates of the future are often wrong, but it is "better to have planned and lost (part of the time) than never to have planned at all," for it is only by long-time planning based on past experiences reduced to figures and charts that we can turn bad time into good.

The visionless manager will perhaps wait until we can tell him day and date of the overturn, but if he does he will find himself limping behind the man who has used as a guide to his judgment the partial information we now have in ways such as I have here discussed.

# Competition's Twilight Zone

By JOHN WALSH

Former Chief Counsel, Federal Trade Commission

IF A SALESMAN gives a factory foreman a ten-cent cigar as he sings the praises of Smith's oils or Jones's drills, is he guilty of bribery?

"No," is your answer without much thought. If he gives the foreman a \$100 bill is he guilty of bribery?

"Yes," you probably reply. Let us assume that both answers are correct, and the question that naturally follows is this: Where between the ten-cent cigar and the \$100 bill do we step over the line from the courteous commonplaces of salesmanship into a forbidden field?

Here's another way of looking at it: You are a manufacturer of brushes. Your competitor has an exceptionally skillful workman, and you offer the skillful one higher pay and a place as foreman. That is legitimate, but would it be legitimate if you went over and without warning hired away so many of the rival brushmaker's men that his business was crippled? That seems unfair on its face.

Again the question arises: But where is the dividing line that runs between the lawful hiring of a rival's men and the unlawful crippling of a rival industry by "bribery and enticement of employees?"

There lies the field of the Federal Trade Commission in carrying out Section 5 of the act which created that body. The section is long, but here are the two sentences from it that carry the dynamite:

Unfair methods of competition in commerce are hereby declared unlawful.

The commission is hereby empowered and directed to prevent persons, partnerships or corporations from using unfair methods of competition in commerce.

There is no standard yet set by which we may define "unfair competition." The commission lists more than fifty kinds of practices which have been complained of, running all the way from "Advertising, false and misleading," down to "Unlawful use of trademark."

In many, perhaps most cases, the factor of intent is the one chiefly considered by the Trade Commission. If you are hiring away men from a rival you know pretty well whether you are trying to build up your own organization or to tear down his. Some years ago, when Chief Justice Taft was President, he made a speech at a Pittsburgh

## Where to Stop, Look and Listen

IN THESE days when orders are elusive, how far may your rival go in disparaging your goods or copying your trade names before Uncle Sam can step in and stop him? There are many of these shady practices that cannot legally be carried beyond a certain point.

We have asked Mr. Walsh, who was formerly chief counsel of the Federal Trade Commission, to outline some of the more interesting cases wherein competition has passed the bounds of law and where the commission has been called upon to exercise its broad powers. What Mr. Walsh has to say is of unusual value since he has handled such cases both for the Government and for the business man.

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Chamber of Commerce dinner. A speaker who followed talked of government interference with business and said that there could not be prosperity until it was clearly known what was legal and what was not. Mr. Taft took a few minutes to reply and in effect said: "You business men know when you are violating the law."

What are some of the methods of unfair competition which come before the Federal Trade Commission? What, for instance, is the "use of leaders" in such a way as to damage another's business and justify action by the Commission? Here is a case in point, an extreme case, but illustrative:

A dealer in sweeping machines, vacuum cleaners and like household utensils pretended to handle several makes and posed as an impartial adviser to the shopping housewife as to which make would best suit her needs. As a matter of fact, he was directly interested in the sale of only one kind. He kept on display samples of other well-known makes, but tampered with them so that they

would not give good service. He even advertised that he would sell at greatly reduced prices one familiar make for which he was not an authorized agent. As a result he sold large numbers of his own machine and worked great damage to the distributors of others.

There's a clear case of the unfair use of readers. Go to the other extreme. A merchant carries four well-known lines of shirts. He may be justified in recommending one line to customers in preference to the other three, but how far may he go in running down the other three? He certainly would not be justified in loosening the buttons on the kinds he was less eager to sell, but would he be justified in saying that they did not wear as well?

"Simulation of Slogans." Here is a field which the Federal Trade Commission has largely to itself. Jones, we'll say, has built up a profitable business for a disinfectant under the name of "Ozam." He has used it for years, but it is not protected by law, not copyrighted nor registered as a trademark. Along comes Smith and turns out a similar product as "Olzam." Has Jones a remedy? Yes; he may take his case before the Federal Trade Commission, and if he can show that the public was deceived by the similarity and that Smith intended to get away Jones' business by the bogus name, then the commission can act under Section 5, two sentences from which are quoted above.

The desire to build up one's own business at the expense of a competitor's is natural enough. The maker of Ozam, whom we described above, resents the appearance in the field of Olzam. In that case he has a remedy. But what are the things Jones can and can't do if his rival took a trade name which was not in unfair competition. His salesmen, whether human or paper and ink, may extol their own goods and—within limits—run down their rivals. Here's a case which might be listed under "intimidation and threats" in a Federal Trade Commission report in which a manufacturer went beyond his rights:

Mr. A. turned out a widely known product, call it "Synthetic Sawdust," manufacture of which had been protected by a patent. The patent had expired, and a rival, Mr. B., came into the field with a commodity which he called "Oak Hearts." Mr. A. notified all Mr. B.'s customers that the latter was



infringing patents and that he purposed to sue for damages every man who sold "Oak Hearts." This campaign almost put Mr. B. out of business. There can be no doubt that Mr. A's competition was unfair and could be restrained. Moreover, a suit for damages would lie.

"Disparagement of Goods" is one of the borderline unfair-practice methods. Anyone who has bought the simplest thing, socks or shaving soap, has seen mild disparagement of goods. Even the gentlest shrug of the salesman's shoulders might be a disparagement of one make of stockings as against another which the shop is more eager to dispose of. But it might be difficult to bring that subtle shrug before the Federal Trade Commission, so let us take a more obvious case:

A maker of food products in order to increase his own sales and win over the customers of a competitor says that the competitor uses poor materials, that his factory is insanitary, that it is so near a railroad track that cinders get in the jelly—if it was jelly he made. If those statements were not true, they are unfair competition under the rulings of the Federal Trade Commission.

### What's Disparaging Credit?

IF I may not decry my rival's goods, what may I say about his methods of business? I may not say that for one thing his prices are exorbitant and that his profits are excessive. But here is a more difficult idea. Suppose A and B are rivals in buying apples. Both are prepared to pay about the same market price and each is eager for all the apples he can get. A in buying says to sellers:

"You'd better sell to me. I'm paying cash while B is giving part cash and part notes."

That seems legitimate, if true, but suppose A adds to that:

"And you know that notes are uncertain."

Is that disparagement of the rival's business? That would be hard to say, yet it is easy to stretch the hint a little bit further and make it an open charge that a competitor's credit is shaky. That done, you have a definite case of unfair competition and, moreover, the circulator of such reports—always assuming them false—becomes liable to a suit for damages. A case in which the question of how far one corporation engaged in buying grain may go in attacking the credit of another buyer is now awaiting decision.

Another method of unfair competition which has engaged the attention of the commission is cutting off a competitor's supplies. There may be a legitimate outmaneuvering of a rival in better buying or earlier buying or cheaper buying. Perhaps it is lawful to buy all of a stock of a certain material, but here's a case on the other side of the twilight zone of fair dealing:

A, in making his product, used large quantities of a certain kind of hardened

steel roll made only by two or three concerns in the United States. His rival, B, starts making a similar product and goes into the market for these steel rollers. Thereupon A serves notice on the manufacturers that if they sell to B they can sell no more to him. Now A is the bigger customer, and the makers of the machinery are, not unnaturally, disturbed. Fearing the loss of A's custom, they refuse to make any more for B. That is unfair competition.

Price cutting, which sounds like a boon to the consumer, very often is an unlawful means of competing. Two methods which come under the ban of the Federal Trade Commission are "Free Goods" and "Fighting Brands." To win away business from competitors and at the same time not to appear to be cutting his standard prices, a large house dealing direct with consumers offers to give away sugar or tea or cotton cloth with every order of a certain amount. That has come under the ban of the commission.

What are "Fighting Brands"? Here's a case: A is a canner of cabbage and has built up a large trade for "Kream of Kraut." In a certain district he wants more trade and is willing to cut his price, but he doesn't want to cut it on goods sold under the label for which he has built up a reputation. So he puts up another packing of cabbage not perceptibly different from his Kream of Kraut but with a different label and sells it at a lower price in competitive territory. That new label is a "fighting brand," and its use has been condemned by the authorities as unfair competition.

But if there are cases where lowered prices cause unfair competition, equally there are cases where raising prices is a way of doing business that may lead to trouble. Typical is a case brought against a creamery company, strong financially, which invaded the territory occupied by two or three feeble rivals. The newcomer raised the price of cream to the farmers and the latter rallied to the more liberal buyer. The old-timers found themselves unable to pay the new prices and were left without stock. "Enhancing Prices of Raw Material" the Federal Trade Commission calls the practice. It is unfair competition if it can be shown that the new price made by the invader is unwarranted by trade conditions. If butter can be marketed profitably at the higher price of cream, why, that is another story.

There is another form of camouflage

in the war for business that comes under the unfair competition ban, the use of "bogus independents." Two rival concerns are making washing machines. One is part of a large and powerful concern in bad odor for some of its business methods. It cuts prices to get the other's business, but the move is only partly effective, for buyers stick to the smaller company even at a higher price because of personal feelings. The cry of "trust" has been successfully raised against the larger company. It thereupon organizes a third company nominally to make and sell washing machines at still lower prices but conceals from the public its control of the new company. That's unfair competition by means of the "bogus independent."

What is "molestation" which constitutes unfair competition? One case arose where a dealer represented himself as an authorized dealer in a well-known make of typewriter. As a matter of fact all he had was second-hand and rebuilt machines, but to make them appear new and more salable he altered the trade-mark and patent notices and substituted fictitious numbers. That seems plain fraud, not in any twilight zone of doubtful business morals. But when we come into a kindred practice of misbranding, we enter a field full of uncertainty.

A manufacturer makes and sells under a label which bears the words "sewing silk" a product which is really mercerized cotton. That seems plainly unfair and a deception on the buyer. But suppose the maker pleads that it has been the custom of the trade from time immemorial so to label mercerized cotton? Here's a hypothetical case: a maker of jam which is only flavored with strawberry sells it as "strawberry jam." Is he within his rights if such jam has always been sold as strawberry?

These cases which I have outlined here are perhaps too elementary, but they may serve as guide posts to the business man, pointing out the nature of practices which are coming under notice of the Federal authorities. have not undertaken to say what the business man may not do, merely to call attention to a signpost here and there—a sort of "Stop, Look, and Listen" of business.

**Editorial Note:** In this article Mr. Walsh has not broken ground in the vast field of federal trade activities. In future numbers we hope to give the readers of *The Nation's Business* a more definite idea of what the commission can and cannot do, of the part it has played and can play in hurting or helping American business.

**INTELLIGENCE** officers bent on searching out business compose our consular service, according to a Canadian journal. A perfectly legitimate army of commercial invasion is another characterization it uses. These remarks naturally lead to consideration of a counter offensive, from the Canadian point of view. In fact, Canada has a plan for placing her own consuls in the United States and elsewhere, and, taking a cue from our practice, means to have consular fees pay the costs.





# Hardwood Decision Is Limited

**T**HE OPEN-COMPETITION plan has come in for a lot of discussion in recent months, with attention centered in the views courts might reach about the relation between the Sherman Act and the plan as put into operation in particular instances. When *THE NATION'S BUSINESS* went to press last month it suggested that the Supreme Court might at any time hand down its decision on the subject. Within a week the court rendered its opinion.

The scope this opinion would take had been uncertain. There were expectations in some quarters that the Supreme Court would deal so broadly with the whole subject of collection and distribution of statistical information in an industry as to affect every trade association which assembled data, including those which contemplated cooperation with the Department of Commerce. On the other hand, it was suggested that the pending case might be decided upon its own facts and would not afford much general guidance.

The latter opinion proved correct. The conclusions expressed on December 19 by the Supreme Court in the Hardwood case, in which it recognized the open-price competition plan had first come to its notice, rest upon the facts a majority of the court said were proved in that case. In this respect the Supreme Court followed the lower court, for both devoted most of their attention to describing the evidence and the conclusions to be drawn from it. Neither court attempted to formulate broad principles by which open-competition plans of different forms could be tested for legality. The consequence is that, although the Supreme Court decided against the open-competition plan in the Hardwood case, it is wholly within the range of possibility that the same court might find nothing violative of the Sherman law in another open-competition plan through which, in the court's opinion, only information about past transactions was distributed, with nothing tending to show concerted action respecting future prices and future production. In other words, in deciding the Hardwood case the court did not pass, for example, upon the Linsseed case in which, shortly before, the lower federal court apparently saw evidence merely of distribution of prices and data respecting transactions that were closed.

The Hardwood case did not lack for analysis and consideration in the Supreme Court. In fact, at the court's request, it was argued twice. The care with which the court went into the circumstances appears in the prevailing opinion, written by Mr. Justice Clarke and concurred in by Chief Justice Taft and Justices Day, McReynolds, Pitney, and Van Devanter. This opinion discusses the open-competition plan as it was evolved in the hardwood industry by a committee and placed on paper. As the plan stood on paper it required the members to make daily reports of sales and shipments, with copies of orders and invoices, monthly reports of production, monthly reports of stocks, and notice of all changes in prices as soon as made. The plan also provided that the central bureau to which reports were sent should have a force of inspectors to inspect the members' stock and its grading and should audit the reports submitted by members.

These undertakings entered upon by members as a condition to their getting the com-

## More Light Needed

**W**HEN the eagerly awaited decision of the Supreme Court in the Hardwood Case was announced, a number of trade associations felt apparently that they could no longer even collect statistics.

Here is a discussion of the court's opinion which concludes that the court did not make a sweeping decision affecting the collection and use of all kinds of statistical information, but only dealt with the facts in the exact case at the moment on trial. What these facts were the article undertakes to make clear.

THE EDITOR

pilations of data distributed from the central bureau led the court to say it would be difficult to devise a more minute disclosure of everything connected with one's business than this part of the plan exacted. At this point the court remarked that, in its opinion, only the most attractive prospect could induce any man to make such a disclosure to his rivals and competitors.

This remark would seem, however, to have been in the nature of an observation in passing; for the court proceeds to detail the second half of the plan—the central bureau's compilation of reports and distribution of the assembled information. At the end of this survey, too, the court makes a comment to the effect that the extensive interchange of reports supplemented by monthly meetings for discussion of all subjects of interest to members very certainly constituted an organization through which agreements, express or implied, could readily be arrived at and maintained if the members were so disposed. The court does not say, however, that if there had been no other facts it would have perceived such a disposition and would have held there was illegality.

On the contrary, the court declared that in practice three important additions were made—more frequent meetings than the "paper plan" stipulated, advance collection for discussion at these meetings of forecasts of the course of future prices and production, and distribution from the central bureau of counsels about the proper course for members in production and prices. These additions, the court held, caused the plan to go much further than to supply each member data for judging the market on the basis of supply and demand and current prices.

Going into the evidence, especially in connection with the additions to the plan made in its operation, the court concluded that there was on the part of the participants in the plan a persistent purpose to encourage members to unite in pressing for higher and higher prices, without regard to cost. Returning later to this point, the court said the evidence showed "beyond discussion that the purpose of the organization, and especially of the frequent meetings, was to bring about a concerted effort to raise prices regardless of cost or merit."

It would seem clear, therefore, that on

December 19 the Supreme Court dealt only with the Hardwood case. That case it decided upon its own facts and according to legal principles already established. The court's opinion contains some obvious warnings that, if competitors act in ways which are indicative of agreements as to future conduct rather than unambiguously significant of independent and intelligent business judgment, they should not be unduly surprised in the event the courts conclude the weight of the evidence shows unlawful combination. At the same time the opinion does not attempt to draw a dividing line. It rather takes the position that each case is to rest on its own facts and what they tend to show as the true purpose and intention. After deciding the Hardwood case the Supreme Court may still say that collection and distribution of statistics for past transactions to serve as a basis for independent judgment on the part of each member of an industry violates no legislation now on the statute books.

The three dissenting justices would seem to have disagreed with the majority chiefly upon the facts that were to be deduced from the evidence. As the proceedings were in equity—no penalties were involved—the court was at once judge and jury. The dissenting judges talked about legal principles, but differences in judgment about the evidence would seem to have had some influence upon their discussions. However that may be, the opinion of six decided the case.

## A Further Statement

**S**INCE the opinion in the Hardwood case was handed down there have been indications that the Department of Justice or the Department of Commerce might soon make an authoritative statement of the Government's attitude toward different activities trade associations may undertake. There have been numerous conferences among officials. Recently these conferences have included not only the Attorney General and the Secretary of Commerce, but also the Secretary of Agriculture and members of the Federal Trade Commission. As *THE NATION'S BUSINESS* goes to press, however, no official statement has yet appeared.

During the continuance of these conferences, the Department of Justice has maintained its activities in inaugurating proceedings. For example, a week after the Hardwood case was decided, indictments were returned in the federal court at New York against manufacturers of cast-iron soil pipe. The charge is that through a "plan" they fixed prices. The Government alleges that each participant in the plan gave notice to a central bureau of any change in his prices which were promptly communicated to the other members, who thereupon changed their prices to be identical or substantially similar. There were also reports as to orders and stocks.

It is apparently the intention of the Department of Justice to have pending both civil and criminal actions involving different forms that the open-competition plan may take. If a point of view is not announced by the Government that will clearly place some of these plans on the near side of the line of legality and others on the far side, the Supreme Court will probably, in the near future, have occasion to add other decisions to the Hardwood case.



# Keeping Coal on an Even Keel

By WARREN BISHOP

**WE LIVE** by unanimous consent," said the late Franklin K. Lane, talking of the strike of 1919, and explained that statement by adding: "Less than one-half of one per cent of our population quit their work of digging coal and we are threatened with the combined horrors of pestilence and famine."

We may be approaching another coal strike. The wage agreements both in the bituminous and the anthracite fields end about two months after this magazine appears. There have been signs of milder mood on the part of the rank and file of the Mine Workers' Union, indications that the leaders may not be able to bring about a finish fight on a platform calling not only for no reduction but for an increase.

But if that cloud should blow over—and he would be a fool who should prophesy too positively that it will—need we worry about our coal supplies? "No, if"—and "if"—and "if." There's always the "if" of extraordinary weather; the "if" of interrupted rail transportation; the "if" of a sharp revival of industry which should start up dead fires and keep live ones glowing extra hours.

How do we stand for coal if a strike comes? The Geological Survey and the Census Bureau joined in reckoning up our coal stocks on November 1, 1921, and the results were reassuring. About 47,000,000 tons of soft coal were then in the hands of the railroads, industrial consumers, public utilities and retailers. That is probably something under 10 per cent of the soft coal we used in the year just ended—a year of low manufacturing production.

That sounds like a comfortable nest egg. It means enough soft coal to last forty-three days, as business is now using it—thirty-five days in times of active consumption. But there's another "if" in there—if stocks were evenly divided. Experience tells us that they never are. The consumers of coal have their foolish virgins, and it takes a very short interruption of coal delivery to develop all the symptoms of a shortage.

It was Herbert Hoover, now Secretary of Commerce, who nearly two years ago, as president of the American Institute of Mining Engineers, had this to say of the coal men:

This industry, considered as a whole, is one of the worst functioning industries in the United States. It is equipped with capital, with plants and labor to a peak load at least 20 per cent above the average necessity. This peak load, therefore, involves the use of probably 100,000 men diverted from other productive industries; it involves an intermittency of employment through its whole personnel that results not only in a long train of human woe but results also in a higher cost of coal to the general public.

The head of the United States Geological Survey put it in slightly different terms. He called coal mining a spendthrift industry, wasteful both of money and men.

The last man to deny that soft-coal min-

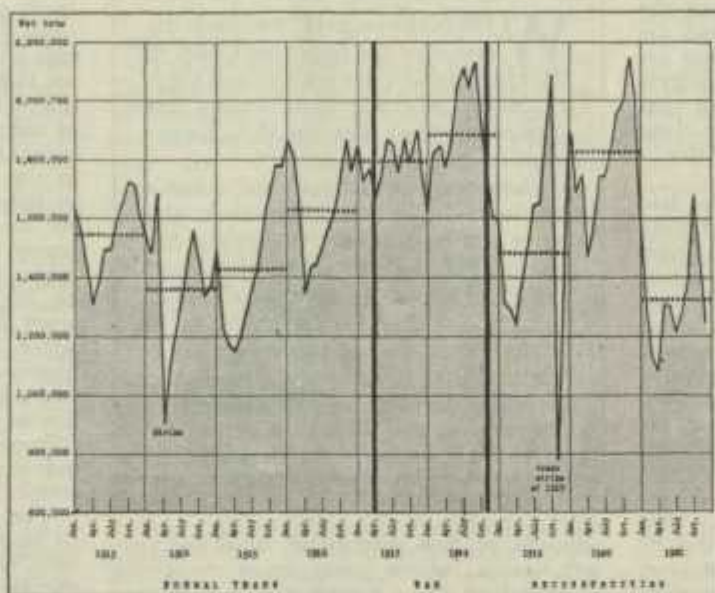


Chart prepared by the Geological Survey.

Here is the line of ups and downs of the daily production of soft coal. To the left of the first black line is the pre-war normal. Between the lines is the constant high production of the war, then the period of reconstruction. Operators say we are entering again on a normal.

ing is a wasteful industry would be the operator himself, but his explanation is ready. It is, he says, a business of free and open competition, and wastefulness is the penalty of that freedom. He will call your attention to the fact that in one year 1,500 mines opened along the lines of the Pennsylvania Railroad alone, and the end of another year saw nearly all of them closed.

Much was said at one time of a coal mine that made 2,200 per cent in one year. So it did, says the operator, but the mine was bought at an opportune moment for \$5,000 just before the great war-time demand for coal set in. More than \$300,000 had been sunk in that mine before it was sold, and only a war made it pay. The man who made the money would probably be glad to get \$5,000 for it now.

In last month's NATION'S BUSINESS I said something about that problem of idleness which Mr. Hoover says "results in a long train of human woe." Let us stick to our soft-coal field where the benefits or evils of competition have their fullest sway. Not in thirty years, according to government figures, have soft-coal mines worked 85 per cent of the time. In 1921 the miner averaged only about 170 days out of a possible 308, say 55 per cent. There you get his answer when the high labor cost of producing a ton of coal is pointed out:

"If I worked more steadily, I might do with less. But I can't even guess in advance how many days I shall work in a year. They talk of a 70 per cent average, but that 70 per cent was 55 last year."

Last month I compared coal and milk in the fact that in both industries consumption was right on the heels of production, that the time from mine to furnace was sometimes as short as from cow to table. Coal, however, is at the other extreme from milk in one way. Milk has an amazingly even demand. It's the last thing cut down or cut

off in hard times. Coal—industrial coal—is the other way around. A very short time may choke off demand or start a run of buying. It is not unlikely that the talk of a railroad strike in October sent stocks of soft coal up 15 per cent.

The chart here printed, of average daily coal production for nine years ended with December, 1921, shows this variable rate more pertinently than any words. Look at those Valleys of Despond! What makes them? The very deepest in 1914 and 1915 were strikes. But that drop in the early part of last year? It came less suddenly, but went almost as far down as the strike drop of the preceding year. That was business slump, and it was over by the fear of a railroad strike last fall. Then it went down again worse than ever last winter, back in December, April, a warm month.

We have named three things that contribute to this unevenness—strikes, business depression, and seasonal demand. There are others. Car shortage plays its part in interrupting the flow from the mine; not in times of depression but in times of activity. The actual time lost due to strikes is not tremendous—only about 10 per cent of the time lost for other causes and but 3 per cent of the potential working time. The moral effect is larger, for the fear of strikes on the part of both worker and buyer are disturbing factors.

The mine worker, the mine operator and the coal buyer are all intimately concerned in the effort to even out that jagged line of production and its resultant, the periods of unemployment. Certain leaders of the mine workers are ready with one solution—nationalization of the coal mines—a remedy which the country as a whole would be loath to accept. The suggestion of a Coal Labor Board, with powers like that of the Railroad Labor Board, has been made. But the answer to that is that the irregularity of employment is vital and that no fixing of wages can make mines run when no one wants coal.

Is there, then, no answer nearer home? A partial one, and it leads in the end straight to the consumer. Educate the buyer, says the mine operator, and you have helped the other two sides of the triangle, the man who owns the mine and the man who works the pick. Teach the coal user that he must be canny; that he must look beyond tomorrow's need of coal, and you have taken a long step forward in equalizing employment in the mines.

The soft coal operator says, and says forcefully, that the buyer of coal pays little attention to that important raw material; the industrial user is too apt to use the coal car as his only storage; that he lives from hand to mouth on coal when he buys his cotton yarn or his copper wire; that whatever materials go directly into his plant



uct with foresight and a wise comparison of price and quality.

The reply of the consumer is this:

"Why should I concern myself with advance supplies of coal? Can't the dealers look out for that? If it involves storage of coal, or tying up money by advance buying, why should I be the one to pay the bill?"

There is an answer pat and pertinent:

"You pay the bill anyway. If there is a betterment of conditions, you'll be one to benefit. If there's a steadying of flow to market, it will lessen costs and prices."

There comes another question.

"Why doesn't the operator store at the mines sufficient stocks to tide us over trouble?"

The answer to this is both physical and financial, and the two are closely linked. Bituminous coal is a highly competitive industry. In times of depression, when buyers can "shop" for coal, there is a progressive shutting down of less efficient mines. If mine A gets coal out 10 cents a ton cheaper than mine B, then mine B is soon shut down and must wait for times of livelier demand. How many mine owners can still further take the risk of storage? If coal were stored at the mines we should have, they say, this situation: Coal at the mines made more expensive by the very fact of storage and less valuable because of deterioration, coming into competition in the busy season with fresh coal, more desirable and with one less cost factor.

The physical problems are not less obvious. Few mines have available the land that would be needed for storage. Think of a mine running up a narrow valley where coal is taken from the mountainside into waiting cars and then straight to the consumer. That's not an uncommon picture. Moreover, there's one other feature that renders storage at the mines a doubtful solution even if the other objections were met.

### Encouraging the Even Flow

ONE of the purposes in encouraging the even flow of coal from the mines is to do away with the danger of car shortage which follows a demand for coal, to lessen the burden on the railroads as well as on the mines. The car shortage comes, of course, when the increasing demand from industry for coal is accompanied by an increasing demand for cars for every other purpose.

Here's a picture: Assume that soft coal was stored at the mines through the spring and summer months when demand is low, until in the fall the mines had piled up 60,000,000 tons. Now business picks up, we will say, in the fall; weather grows colder and days are shorter. The demand for coal jumps and the coal is available—but is just where it ought not to be, i.e., 300 miles or more from the factory, the home and the electric-light plant. It has been moved 2 miles on its journey from the face of the coal seam to the furnace, dumped down, and now has 300 more miles to go.

Should coal be stored at all? The answer to that from most sources would be:

Yes, when and where possible. In the hands of large consumers if they can handle it, and many of them can. In the hands of small consumers where they have facilities and can draw on a supply of coal which lends itself to storage.

Again the finger points at the consumer and his lack of foresight. He ought, say the coal men, to chart out his minimum future needs, to plan his buying over a longer time, to have, if practicable, a carload in use, a carload in storage and a car on the way.

That suggestion of coal "which lends itself

to storage," brings you into two of the disputed problems of the bituminous coal industry, the difficulties in the way of storing coal due to its bulk and its tendency to deteriorate and to catch fire.

There is no agreement on the causes of spontaneous combustion of coal. There was at one time a belief, not so widely held now, that the percentage of sulphur in the coal was the chief factor. It is altogether likely that size plays a part, that a high proportion of fine coal and dust increases the chance of spontaneous burning. The question of ventilation of stored coal is another point on which opinions differ. In fact, the spontaneous combustion of coal presents a quantity of unsolved problems. It is full of riddles. Coal operators will tell you of cases as curious as this: That coal from vein A will not mix with coal from vein B without greatly increasing the danger of fire. The fire danger is not a great factor but it is one about which we need to know more.

### We Still Have Much to Learn

WE know also that certain coals deteriorate when stored, but how much and what kinds are still debatable points. Coal for the northwest is stored on the docks because there is no other way. It goes up in the open season on the lakes and is kept—or much of it is kept—until needed. The weather renders it increasingly liable to turn to coal dust. There is resulting waste, and there is a slight lessening of its "burnability"—to coin a word.

There is one method of storage which is available only to large users, but by it danger of fire is reduced to a minimum, and degradation, as coal experts call the impairment of heating value, is lessened. That method is to store under water.

But that runs into money. One of the great under-water storage systems is that built for the Standard Oil at its refineries at Whiting, Indiana. One coal authority says that at times the company has as much as 170,000 tons stored there, of which 100,000 is under water. But it costs \$30,000 or more to build a 10,000-ton concrete pit for coal storage, and it costs from seven to ten cents a ton to put it in and the same amount to get it out.

Storage, then, is expensive either way. It's expensive if it results in poorer coal; it's expensive if it has to be handled in and out of a specially constructed shelter. Yet storage is one factor, and it is one that is constantly being urged on coal buyers. We know that the United States can store much more coal than it does. On Armistice Day more than three years ago it had on hand some 63,000,000 tons of soft coal. That was a great factor of safety in the country's industrial situation at that time, but the money loss in waste and deterioration is a thing we don't know. To put it another way, it was an insurance, but was the premium too high or did it pay?

One industry that can store coal and that does store coal and should perhaps store even more coal is the public utilities. In that report of coal on hand on November 1, they were in the strongest position, and the figures showed that they had been adding steadily to their stocks since midsummer. The coal-gas makers had a supply for 87 days and the electric utilities enough for 34 days. Contrast that with the railroads' stock of 29 days' supply. There's an obvious answer. It's the railroad which takes the coal to the public utility, and the railroad is that one step nearer to the original source. It is notable that the Superpower Survey plans

call for six months' storage of coal for central stations.

These are some of the things that must be dealt with in any consideration of the storage of soft coal. Experts differ widely on them but they are the problems not only of the operator but of the user who needs to know more about quality of coal than he does now. He must consider the part of his ton of coal that goes up the chimney, and the part that is hauled out of the ash pit.

Storage is an expense, however, from every angle. Can that expense be made up to the storer? Several suggestions have been made. One is the encouragement of summer buying by price concessions and freight concessions for summer shipping.

The anthracite producers have done something on the former line. It should be remembered that comparing bituminous and anthracite coal is a perilous business. The two industries are as different as chalk and cheese, since selling anthracite is something of a "take it or leave it" proposition, for the supply is never long ahead of the demand. In soft coal the situation is reversed. But the hard-coal men did offer the summer reductions and did succeed after some years in reducing the number of lost mining days per year.

There's another angle of the problem—anthracite stores fairly well, is largely household coal, and in proportion to its use of coal it is probable that the average household can store a larger share of its year's coal needs than the average factory. It's one thing to put 10 tons in the cellar; it's another when we talk in terms of thousands of tons for an industry.

But every coal buyer can help in one way—by better planning of his buying. I have said something of the problem of fresh coal. The mine to car to furnace—all a matter of days—that way of doing business has been one of the troubles of the industry. We have grown accustomed to think of coal as something like water or electric light—turn it on and there it is. But there comes a time when you turn on the tap and nothing flows. How can that be prevented? By arranging in advance. That encourages the steady flow, justifies storage at places close at hand to the consumer, and makes possible a better supply of cars.

Community buying of coal is one method that has been suggested for the protection of the small consumer and to give him his share of the task of straightening out the unevennesses in that line on the chart. Such cooperation is done with marked success by manufacturers' associations in some smaller industrial communities.

### The World in a Pair of Shoes

EVEN if shoes made in a Massachusetts factory are worn out in the streets of the town where the factory is located, still they represent international trade.

Dwight W. Morrow, in discussing the inseparability of our foreign and domestic business, recently offered this striking observation. The shoes he had in mind were made from hides imported from Argentina, were heeled with rubber imported from the tropics, were sewed with fibers and lined with cloth and dyed and tanned with chemicals brought from the four corners of the earth. Imported materials were used because they could be bought more cheaply than materials produced at home.

The shoe industry, moreover, illustrates the close intertwining of domestic industry; for it calls on our mines, our collieries, our transportation system, our banks, for goods and for services.



# What Hoover Is Doing

By JOHN BURNAM

ONE OF George Ade's imperishable anecdotes deals with the young man who was taking a course in a correspondence school, and who, when he was asked why he stamped his letters upside down, replied that this was his college yell.

Secretary Hoover is conducting a correspondence school in the reorganized Bureau of Foreign and Domestic Commerce, and the college yell is the same you may hear, if you listen, in nearly any department store. It is Cash! The pupils are enrolled from the mature business public of the United States, and the tuition fee is nothing.

Lest I seem to manifest undue levity about an important and growing service to the American people, I will hasten to say that what I have dubbed Mr. Hoover's correspondence school is but a fraction of the work he is doing. He has set up a General Staff for an army formerly undirected, the serried ranks of American business. The staff officers, who are bureau chiefs in the department, have worked out many ways of averting industrial waste, for they deal not alone with foreign but with domestic trade. They prepare and distribute valuable statistics and have eliminated other statistics of no practical value. They work in cooperation with trade associations and with manufacturers. Within the limits set for this article I cannot go into those matters. I want you to get an idea of the correspondence Mr. Hoover attends to, through his General Staff.

## And the Replies Go Out

EVERY week-day morning a thousand or more letters are received from business houses throughout the United States. Every week day a thousand or more replies—to these or prior inquiries—are put into outgoing mails.

I said that the college yell was "Cash!" Let us see about that.

On Secretary Hoover's desk every day there is laid a report of the activities of the Foreign and Domestic Commerce Bureau for the day. As I glance over this report I come to the section over which we might put the caption "Cash Transactions." Here are a few of them:

As a result of a cable inquiry from the commercial attaché in Peru, one American firm has just sold three thousand dollars worth of typewriters.

A \$4,000 mail-order sale to a firm in Hanoi is reported as a result of the sending of one American catalog.

An aluminum company of Pennsylvania reports the sale of cable products valued at a quarter of a million dollars to Madrid, and a representative of the department in Madrid has been able to turn over to another American firm a half-million-dollar copper wire order.

Now let us take a look over a mailing clerk's shoulder at some sample letters before we take a turn through the bureau to which the clerical staff is to route them. The first is from a machinery manufacturer in Pennsylvania, who says:

Please send us information respecting tariffs, or customs, placed by various foreign countries on printed matter in books.

And in the next letter we find the following:

Can you give us some facts with respect to bankruptcy laws in Colombia?

And the next:

Please send immediately the fullest statistics covering the export of roofing felt and information as to the best markets abroad at the present time.

The fourth letter, it appears, is not a request for information, but a repetition of the college yell. It deals with previous correspondence and may be regarded as of sufficient interest to lay on Mr. Hoover's desk. A textile manufacturer in South Carolina is the writer. Read the first paragraph:

Through the information which you have furnished we have just closed orders with a firm in Manchester for business amounting to hundreds of thousands of dollars.

And here is one in similar vein from a big national business association:

Allow us to say without casting too many bouquets that if all branches of the Government acted as quickly and as effectively as yours, as illustrated in the information received regarding power of attorney in Bolivia, even the worst growler would be pacified.

These and letters like them flow in by hundreds into the department, divide into minor streams and reach the various division heads. First, however, let Mr. Hoover tell us just what were his plans in setting about to reorganize the Government's commercial intelligence work.

"Our purposes," he says, "are threefold.

"That specialists in the different great industrial divisions be taken into the bureau for the purpose of giving expert direction to more than six hundred foreign commercial agencies of the government.

"That these specialists, by maintaining closest association with the different industries, may keep in touch with the character of the service, information and investigation needed in these industries.

"That material coming in from abroad may be prepared in such manner as to be of the utmost practicable service."

The bureau's division as now constituted is divided into three general classes. There are, as formerly, regional and technical divisions and a long list of commodity divisions which are new. The regional divisions, as now constituted, are: Latin-American, the Near East, the Far East, Eastern Europe, and Western Europe. Five technical divisions deal with commercial law, research, foreign trade statistics, foreign tariffs, and transportation. The commodity divisions are agricultural implements—automotive, electrical, foodstuffs, iron and steel, lumber, machinery, rubber, shoes, textiles.

The men at the heads of the divisions are experts in their lines. Their knowledge and training are making the bureau of the utmost help to business, and especially to industries engaged in foreign trade. These men keep in closest touch with the industries they serve and are charged with responsibility for procuring the information that is most urgently needed and that is most useful.

Now let us go into the offices of these division chiefs and talk with them about their

work. Suppose we start with the geographical division which covers Western Europe. We ask for a brief, striking illustration of the kind of service being performed there for American business.

"That is easy," is the reply. "Here on this desk is something that is as important as it is interesting. We have just brought to the attention of American mining interests a new German method of treating composite ores or alloys. It simplifies, in a remarkable way, the present methods of extracting gold and silver when these metals occur in combination with others. So important is this that the president of two leading gold and silver mining companies, after getting information from the bureau, sailed for Berlin to examine the process in action."

Move on to the commodity divisions. The first one we run into is food.

## In the Food Division

WE are working," says the head of this division, "very closely with the industries. The Cotton Seed Crushers, for instance, have lent to us for six months the services of an expert to work out a program of cooperation. The Canners have a committee cooperating with us, and they have appointed an expert to devote his full time in the department to the canning interests. We are seeking to overcome tariff and trade relation difficulties in those countries from which American canned goods are virtually barred. We have undertaken, with the help of the Federation of Corn Millers, to introduce corn products into Europe. We have just sent a trade commissioner abroad to do nothing but carry on this work. Other trade organizations, too, are working with us."

The Rubber Division has in preparation loose-leaf monographs, one for every country, giving facts on the export of rubber goods. These monographs will be kept up to date and will be invaluable to rubber exporters. Four have been completed for South American countries. In the domestic field this division is working with the rubber industry on a standardization plan for rubber tires.

The Electrical Division expert has something to say of the specific things being done there.

"Recently we sent to manufacturers of electrical equipment specifications for an electric plant for a town of 10,000 on the island of Trinidad. One manufacturer was on the eve of sending a man to the West Indies when the specifications reached him. He was able to make a complete bid, which his man took along. We have not heard whether or not he got the job.

"We learned recently that the Spanish army was preparing to purchase radio equipment. Specifications have been sent out to those interested.

"Lists will go out today to 40,000 manufacturing companies of names of representatives in foreign countries who want to handle American electrical equipment. This information is based upon the personal knowledge of the foreign firms seeking relations and their ability to handle these lines.

"In the way of general activities I might call attention to the fact that we are now working to have removed alleged restrictions



placed by Spain on the purchase of American telephone equipment."

In the Shoe Division an advisory committee has been named by the industry. The division's mail includes today letters asking about economic conditions, the extent of manufacturing, and the competition to be met in various countries. A reply has just been prepared to one letter which wanted information about the probability of establishing offices in Buenos Aires. The company has been told that in the judgment of the division the idea was excellent; that Buenos Aires was a good place for offices on account of the many modern factories there. The present is opportune for the venture.

The Textile Division is answering inquiries from men who want to know the cost of producing hemp in Yucatan; the possibility of the sale of cotton goods in Poland; the names of British syndicates interested in the sale of British war supplies in the United States. A representative of the division has just come back from Greenville, S. C., where at a textile exhibition he showed samples of foreign textile goods and German paper clothes. Arrangements have just been made for the representative of the National Association of Cotton Manufacturers to spend two days a month in the division.

The Textile Division has just succeeded in straightening out the situation in Cuba,

where \$6,000,000 worth of textile goods shipped to consignees was held in warehouses unpaid for. This has been attached by the Cuban creditors of insolvent buyers.

The division has kept industry in this country fully informed of the condition of the British textile industries, giving in detail information regarding stocks and sales. The industry was "tipped off" to French plans for shipping back to the United States American textiles sold by the American Expeditionary Force.

We step into the Fuel Division and find that the staff has sent out bids for lubricating oil for the railroads of Latvia. It is informing the trade of opportunities for concessions in foreign countries and has just put the big oil companies of this country in touch with Persians who want to develop oil. Complete data have been assembled regarding holdings of American oil companies abroad.

The Lumber Division is busy preparing trade lists covering foreign importers; the study of competitive features of foreign markets; compiling of statistics on the import, export, and production of lumber in all foreign countries. It has just succeeded in removing the barrier against the importation of certain American hardwoods into foreign countries. It has under preparation a manual for exporters which will answer hundreds

of questions asked by the manufacturer who wants to ship his products abroad.

Through the foreign representatives of the bureau, the Iron and Steel Division, we are told, is arranging to obtain fuller participation by Americans in all foreign tenders for iron and steel products. The division has just solicited bids for eight steel bridges in Siam.

Seventy-five per cent of its industry is co-operating with the Automotive Division which is laying out foreign sales promotion plans for the industry. The division is classifying import and export statistics, to make them of greater value. It is procuring trade information in one hundred and nine automobile using countries. A manual on automobile exhibition is under preparation. The chief of the division tells us that they have just acted to prohibit or delay adverse legislation in India, Switzerland, Argentina and Canada.

A thousand daily letters give no notion of the true size of the enrollment in the Hoover Correspondence School. It may happen that a business man will take but one lesson, so to speak, in a year. And it is reasonable to suppose that as the American public becomes more familiar with the kind of service Uncle Sam provides for him in this department it will take lessons in increasing numbers.

# A World Economic Conference

## What it should and could do

ON EVERY lip is heard discussion of an international economic conference.

There is the possibility that, even before this is published, the Cannes meeting may develop into what, everyone feels, is vitally imperative to world rehabilitation.

But, granting that Europe's industrial and financial sickness has infected the United States along with all other countries, what remedy could or should be prescribed? What could be done at an international conference? What is the specific for disorganized price levels, chaotic exchanges, almost worthless currencies, stagnation and fear? Or, if there be no specific, how shall a curative be compounded?

John Foster Bass and Professor Harold Glenn Moulton, the latter of the University of Chicago, undertake to answer these questions in "America and the Balance Sheet of Europe" (The Ronald Press, New York). The remedy they prescribe may be as unpalatable to this country as to Europe. Possibly the dose is too disagreeable to stomach. It includes:

- Repudiation by European countries of their depreciated currencies;
- Huge reductions of the reparations;
- Cancellation of the inter-allied debt.

"Let him who reads and doubts," say the authors in a final challenge, "disprove the

evidence of European decadence which threatens civilization; let him show that American prosperity is not indissolubly linked with the rehabilitation of Europe. Failing in this, he must either accept our constructive suggestions or formulate an alternative pro-

gram of construction. In either case the purpose of the authors will have been accomplished."

No ingredient in the Bass-Moulton decoction is likely to prove more distasteful in this country than the insistence that the allied debt of more than ten billions be forgiven. The authors contend that it would be good business. If an attempt were made to pay with goods—that is, by exports from Europe exceeding European imports by enough to meet installments of the debt—it would gravely disrupt our domestic industries. But suppose that this were impossible (as probably would prove to be the case) and that Europe utilized existing exports to meet her debt payments. This would cut down proportionately Europe's ability to consume our goods. If she paid a billion dollars in this way, she must forego a billion dollars' worth of our output. And in any event we would compel Europe, if we insisted on payments, to resort to further domestic inflation and upset currencies and exchanges. Thus the authors argue, giving little heed to suggestions that the debt be refunded for future payment.

But they do not include in this proposal the question of European indebtedness, governmental and private, to individuals and corporations in this country. They realize that the cancellation of private claims against Europe would prove



The Treasury Building, Washington



seriously detrimental to future credit operations. On this point they say: "We believe that the recommendation of the United States Chamber of Commerce made at the International Chamber of Commerce meeting in London, to the effect that international debt obligations should be maintained because of the necessity in these unsettled times of adhering steadfastly to the sanctity of contracts, is sound so far as it relates to private obligations. The cancellation of European government debts upon our own initiative would, however, in no sense be repudiation. In the first place, it would be in response to the voluntary suggestion of the creditor; and, in the second place, it would be in recognition of the fact that we have no good moral claim for goods delivered during the war."

As to reparations: Germany cannot pay in gold or other money; and it is asserted that the sooner the present "absurd method" of figuring the debt is abandoned the better. Germany must pay in commodities, and before that is done her creditors must decide what they are willing to receive. In this, a situation similar to the inter-allied debt prevails. If the German economic system were not to succumb, Germany would still be prevented from using her output to buy commodities from her creditors. "France and Britain and Belgium and Italy and Serbia and Roumania need to have Germany buy from them," it is asserted, "quite as much as they need to have German materials furnished free of charge." The paramount requirement is for a balanced exchange of goods. Reparation payments, the authors conclude, must be reduced to negligible quantities "for the good of the allied nations themselves."

### Germany Is the Pivot

THAT modern Germany is the economic pivot of continental Europe, and that her purchasing power (and through her the purchasing power of central and eastern Europe) is essential to the prosperity not only of western Europe but of other highly developed nations such as England, is one of the premises which the authors undertake to prove. They are never more at home nor more persuasive than when they extend this line of reasoning to show the interdependence of the whole world, as in this passage:

Some vague notion of the close *nexus* of international financial relations may be gained from considerations such as the following: When the great speculative mania in Argentina in the decade of the eighties, accompanied by the issue of vast quantities of irredeemable paper currency, collapsed in 1890, it resulted in the failure of Baring Brothers, one of the greatest international banking houses of England, all but precipitated a general financial panic in Europe, and led to a very serious unsettling of American financial conditions. Similarly, financial difficulties in Japan and Egypt in 1906 contributed to the forces that were bringing on the American panic of 1907, while the repercussions of this panic in the United States were felt in every market of the world. For example, it was felt severely in the caravan trade from central Africa across the Sahara Desert to Tripoli. Every period of prosperity of modern times has sooner or later spread throughout the entire world; and every important period of liquidation, wherever beginning, has in the end made itself felt in every nation. The present "world-wide" depression, for example, began in Japan; it spread to the United States, to South America, to Central America, to Europe, to Australia, to Egypt, to India, to Cape Colony, to Siam. There is not a spot on the globe that is within the field of commercial civilization that has not felt severely the effects of the post-war liquidation.

The four ingredients of the Bass-Moulton prescription are an increase in domestic production throughout the world, the reestablishment of practically unrestricted and balanced international trade, the restoration of the gold standard, and the balancing of European budgets.

### The Need for Price Readjustments

BEFORE domestic production can be increased there must be price readjustments; and this process involves "a further liquidation of labor in numerous industries as well as a reduction of transportation rates." These reductions must be passed along to the consumer. An initial stimulus to set the wheels turning must then be supplied, and the authors suggest public works as a suitable expedient. A new deal in reparations and the allied debts is necessary, it is asserted, if the world is to balance its trade movements, but in addition there must be a leveling of trade barriers instead of an upbuilding of tariff walls such as we have witnessed since the armistice was signed. In order to effect a restoration of the gold standard, "the illimitable quantities of worthless paper should be destroyed in carload lots, and with it should be obliterated the whole tangle of artificial financial values that has grown up during and since the war." The authors do not suggest how this is to be done, whether by such an international reserve bank as Frank A. Vanderlip has suggested, or by adopting the suggestion of Secretary Hoover, or by some such scheme as the Reparations Commission has suggested for Austria. They regard the details as of minor importance. They except Italy, France, Belgium and Great Britain from the need to repudiate their outstanding currencies.

As a matter of common-sense economy, they say, there must be limitation of land and sea armament.

This is an extremely foreshortened account of the steps the authors consider necessary to restore stability. What can the United States do to bring it about? This list of economic weapons is presented:

1. That portion of the European debt to the United States which was not incurred for the purposes of the Great War.
2. The gold supply needed by Europe.
3. Further loans for European reconstruction.

### Destructive Weapons

THESE may be regarded as constructive weapons. There are, moreover, certain destructive lines of action at our command which may also be utilized to compel international cooperation:

1. We may lend the support of our government to export trade combinations and enter wholeheartedly into the game of territorial exploitation.
2. We may go in for imperialism and world military control.
3. We may isolate ourselves by the imposition of prohibitive tariff duties, leaving Europe to stew in her own grease.

While these retaliatory measures present a grim alternative to a program of constructive international action, one can conceive of a European attitude which would make them the only practical policy. If the present tendency toward international chaos continues, it may well be argued that we should cut adrift from the sinking ship and attempt to save ourselves as best we may.

In the prescription for the world's ills set forth in this book, nothing is said about inflation, because inflation is accepted as a consequence of unbalanced budgets. And nothing is said about stabilizing exchange because the attempt to stabilize the exchanges is merely another of the vain efforts to find

some simple shortcut to world recovery. Each link in the chain of economic and political relations supports every other. Just as unbalanced trade has helped to depreciate the exchanges, and as the depreciated exchanges in turn have helped to unbalance trade; just as unbalanced budgets have served to inflate the currencies, and in turn as currency inflation has increased the budgetary difficulties; just as the granting of huge loans to Europe has thrown the economic balance of the world out of gear, and as the attempt of European nations to pay debts and indemnities further unsettles international trade and financial relations—so also the return to international economic stability depends upon manifold factors.

Stabilization of the foreign exchanges depends upon stabilization of domestic prices; stabilization of domestic prices depends upon controlling paper money issues; controlling paper money issues depends upon the balancing of budgets; and the balancing of budgets depends upon both economic and political stability in international relations. All these elements must in turn contribute to the reestablishment of domestic production and to balanced international trade, and thus to the desired stabilization of exchanges. But stabilization of the exchanges would then already be an accomplished fact.

### What Happened to Exchange

THE upset in exchange conditions is due in part to the abandonment by European nations of the gold standard for irredeemable paper money, and in part to the transformation of the United States from a debtor to a creditor nation. "It will assist to an understanding of the future of American foreign credits," the writers say, "if it is clearly appreciated that it is an anomaly for a nation such as the United States to be in the position of creditor to the rest of the world. No nation before ever became a creditor when its own internal industrial resources were so incompletely developed, as is still the case with the United States," and this pertinent illustration of the point is set down:

England, to take the best example of a "legitimate" lender of foreign capital, began to emerge as a creditor nation when the volume of her annual savings exceeded the requirements of her domestic industries. These excess savings then naturally sought overseas employment; indeed, they were forced to seek a foreign outlet. The machinery for making such investments, moreover, gradually developed to meet the needs of the gradually changing industrial and financial status of the nation. In a word, England arrived at her creditor position as a result of many generations of gradual development; in consequence her economic organization was never thrown out of adjustment as a result of the process.

In order to take these steps toward reconstruction, it is held by the writers to be necessary to set up international tariff and trade commissions, an international reserve board, international committees on trade allocation, budgetary control and disarmament, along with other bodies to deal with problems of exchange and transportation. There must, in other words, be some form of international association. "We hold no brief for the existing League of Nations," they say, "especially since it is irrevocably tied to war settlements which the test of time has proved to be as vicious as they are unworkable. Nor do we care in the slightest what name is given to such an association. All that we insist upon is that world rehabilitation requires international organization and administration."



This book may be called a postscript to the conference of the International Chamber of Commerce in London last June. At the London meeting, for instance, a resolution was adopted, among others bearing on the situation, demanding "that a study be made of the effect upon the international exchanges of the present position of inter-allied debts and of possible remedies, and a similar study

of the payment and utilization of the German reparations." In the preface to the volume acknowledgment is made of the inspiration received there, and throughout are quotations from and allusions to addresses delivered there. Nor has the inter-allied Brussels conference which preceded that in London been ignored. The authors have brought to their task an acquaintance with

the best that has been thought and done in regard to international rehabilitation. The book's gravest physical defect is that it has no index. This shortcoming is no less surprising in view of its authorship than in view of its source of publication—the Ronald Press, which has done and is doing an invaluable service to business.

SILAS BENT.

# Cutting Down Industrial War

By JAMES J. DAVIS

Secretary of Labor

OUR AVERAGE business man, running his eye over the headlines of his morning paper, pauses for a moment at one that tells him of a strike that has thrown 100,000 men out of work. Does he read about it? Probably not, unless the quarrel directly affects his own industry. Instead he contents himself with the first line of the heading and turns on over to the market page.

If this Mr. Average Businessman's bank book was other than an inanimate thing, it would throw out manifestations of alarm at the news of a big strike. And that would make the man of business look upon the matter as something close and personal.

Maybe I can shock the importance of the thing into his nerve system by putting it this way: From 1881 to 1900, employees lost in wages \$257,000,000 through strikes, and employers lost \$122,000,000, in addition. These figures were taken from Labor Department Statistics and compiled by the Conference on the Elimination of Waste, of which Secretary Hoover was chairman. Consider how industry has increased and imagine the wealth that strikes since 1900 have taken out of the American pocket.

Certainly there is a drain on our national and personal wealth worth the attention of the business man and a loss that he can help us cut down if it cannot be abolished.

It is a curious fact that the more a man makes the more restless he becomes. Philosophers will have to explain it—I can only state the fact. Records of the Department of Labor for the last ten years show that strikes and other labor quarrels increase and decrease as the prosperity of the country goes up or down. During 1919, a year of great business activity, 1,780 strikes and other disputes were reported to the Labor Department for mediation; when this period of inflation ended and industry started on the back trail toward normal conditions, the number of clashes had an astonishing decrease. During 1921, there were only 457 strikes and other disputes recorded. It is possible that the slowing up of all business would have something to do with cutting down the figure, but it could hardly account for all the decrease.

The natural deduction is that a period of good business lies ahead of us. This period should increase our commerce until, by the natural swing of economic law, it culminates in another season of depression. This seems to be the cycle of labor relations. Labor disputes are the growing pains of industry, increasing with over-stimulated trade and decreasing as the limit is reached.

## Secretary Davis as a Striker

SECRETARY DAVIS speaks here of labor troubles. He has something more than an academic knowledge of the subject to draw on. When he was ten years old he was a puddler's assistant in a Pennsylvania steel mill. He got 50 cents a day. There were three or four other boys doing the same sort of work. One day they all got together and, in discussing their troubles, industrial unrest awoke violently in their small bosoms.

"Let's form a union and strike for more money," said Davis.

They did. An astonished boss was told that the union would quit if the puddlers' assistants were not raised from 50 to 55 cents a day. As soon as the boss recovered his composure he fired the union and put on a man to do its work, paying him \$1.25 a day. That night the union waylaid the strikebreaker in a dark street and applied some direct action. The union was finally taken back and the increase granted.

Maybe the Secretary was thinking about this when he said that in the past strikes may have been necessary to protect the rights of the men.

THE EDITOR

The so-called cycle of industry has been prevented from causing financial panics by the Federal Reserve System; its ravages on the farmers have been lessened through the Farm Loan Organization and the War Finance Corporation; and business generally has learned through experience how better to cope with a situation that arises periodically.

Labor alone must face the elements of economics. The frightful cost in wealth held back from production constitutes the strongest argument against warfare in industry. Disarmament is popular these days; I would like to see it applied throughout industry.

In the past the strike may have been the only means men had to fight for right wages and working conditions. But the strike is becoming an anachronism. The time is coming when it will be regarded as a relic of barbarism. I hate both the strike and the lockout. The only thing they produce is bad blood and waste. And the loss hits the worker hardest since each man swaps his work for the work of others and strikes cut down the amount of wealth to be exchanged.

Our main aim in the Department of Labor is to see that a better spirit shall bind the worker and the employer. For this purpose Director General Dawes of the Budget Bureau has approved my request for means to

add to our force of conciliators fifteen or twenty men with special training and skill. Our Division of Conciliation performs one of the most important functions of the department and has rendered unusually good service under the handicap of its limited appropriation. Since my assumption of office last March this section has ended nearly three hundred deadlocks, and what it has saved in money by this work is almost beyond calculation. The importance of the work, however, calls for a more complete and technical organization than we now have.

To gain this end we need a conciliator in each of the fifteen or twenty main industries, each man a specially qualified expert in his own line. And we want something more than a mere technical expert. The type of man I have in mind must have technical training as a matter of course. But more than that—he must have broad intelligence and sympathies to give authority to his arguments. He must be a big man first and a technical expert afterward.

In every case this man, if he is the type we want, will know his particular industry inside out and back again. He will be familiar with every process in that industry and know precisely what is expected of every worker. He will also know the men themselves, as men. He will know the business side

of the industry so that he will have a proper appreciation for the risks and problems of management. Such a man can present complete and unbiased evidence to the public, for, after all, public opinion decides the issue in labor controversies.

This work need not be interference on the part of the Government. Our present conciliators are simply men ready to step in by invitation to help adjust an industrial difference. They have no authority by law to do more than consult with the parties in dispute and strive by common sense to bring about an agreement. The special men would have no more authority; it is only that they would be more effective through their unusual qualifications.

As the work went on these men would concern themselves less and less with the settlement of strikes that had already occurred, and more with the prevention of such disputes. At all times they would keep themselves reminded of the rights of the man who toils, and they would impress upon the worker the value of executive services. One of the calamities of modern industrial organization is the loss of that old-time personal understanding between the employer and his men. These special conciliators would do everything possible to restore this lost personal



contact. Disputes are far less likely to break out among men who know and respect each other.

Nor would these special men act alone. In the case of some such general disagreement as the recent national ones, a group of special conciliators would be needed, each a master of one of the industries affected. Most boards of arbitration are forced to lose valuable time in collecting necessary technical information; the supreme need of industry is speedy action. The public wants prompt decisions. These special men, singly or in boards, will supply the ready knowledge necessary to prompt and fair judgments.

Keeping the peace in industry is only one of the elements absolutely necessary for a return to good times. To workers everywhere, whether union or non-union, I say:

"Let us all agree to strengthen American business so that it can hold its own against the world by improving the quality and increasing the quantity of the output."

And you American business men must remember that, if you are to be prosperous, the workman must also prosper. The workers are the buying public; that public must be decently paid to become a steady buyer. The employer who begrudges decent pay is in the same class with the other restrictionist who stands out for big pay and little work.

While human nature remains what it is there may never be a complete accord in industry. But we must never give up the struggle to make the two parties better natured about their disputes. We can have greater industrial peace. We must cut down the number and damage of open breaks.

lished in some foreign countries and has become of interest in the United States."

At the eighth annual meeting the Chamber of Commerce of the United States in 1920 considered this subject of free zones and passed the following resolution:

Unnecessary obstacles and unnecessary costs, together with antiquated regulations, affect importation of materials which are to be exported after manufacture in conjunction with domestic materials, and of goods which, after being repacked, are distributed to foreign customers. Removal of these impediments will inure to the benefit of American industry, American commerce, and American merchant shipping. To this end, Congress should enact legislation permitting the creation in American ports of areas where foreign materials and goods can be received for manufacture, repacking, or other necessary handling, and be distributed to foreign destinations, without the expenses and delays incident to passage through the customs.

In the opinion of the committee much of the hesitation over the idea of free zones has resulted from misunderstanding of the word "free" and confusion of the idea of the free zone with the idea of free trade. The definition of what a free zone is, accordingly, is a matter of the highest importance. The United States Tariff Commission has defined the institution as follows:

A free port or free zone is a place, limited in extent, that differs from adjacent territory in being exempt from the customs laws as affecting goods destined for reexport; it means, simply, that, as regards customs duties, there is freedom, unless and until imported goods enter the domestic market.

A free zone may be defined as an isolated, inclosed and policed area, in or adjacent to a port of entry, without resident population, furnished with the necessary facilities for loading and unloading, for supplying fuel and ship stores, for storing goods and for reshipping them, by land and water; an area within which goods may be landed, stored, mixed, blended, repacked, manufactured and reshipped without payment of duties and without the intervention of customs officials. It is subject equally with adjacent regions to all laws relating to public health, vessel inspection, postal service, labor conditions, immigration, and, indeed, everything except the customs.

The principal reason for the existence of free zones is the development of transshipment trade. Opponents have argued that the geographical relation of the United States is against the development of American ports in transshipment business; that free zones have been successful in Europe by reason of the existence of numerous different countries, some without seaports, reasonably close to each other, the free zone lending itself to the breaking up of large shipments and to the subsequent distribution of merchandise in comparatively small quantities to the markets of the consuming countries. In the opinion of the committee there is slight force to the argument about the difference between geographical and economic conditions in Europe and the United States, if the shipping connections of the ports of the United States with foreign countries are increased and diversified so that it is the hope of American business that will be.

Today we get rubber, tin, wool, flax, burlap, vegetable oils, hides and skins, and a wide variety of other products in transshipment from British and continental European ports. On the Pacific Coast we bring in a considerable variety of merchandise that has formed transshipment cargo in Singapore, Manila, Hongkong, Shanghai, Kobe, Yok-

## How Free Ports Help Trade

A distinct need for such zones in America

### WE WANT FREE ZONES.

That is the sum and substance of the conclusion of a group of men asked by the United States Chamber of Commerce to investigate the subject of free zones in ports of the United States.

Austin McLanahan, banker, president of the Export and Import Board of Trade of Baltimore, headed the committee. Others included were:

Winston D. Adams, Secretary, American Cotton Manufacturers' Assn., Charlotte, N. C.; E. L. Bogart, Professor of Economics at the University of Illinois, Urbana, Ill.; William C. Breed, Attorney, New York City;

W. Irving Bullard, Manufacturer and Vice-president of the Merchants' National Bank, Boston, Mass.;

Edwin J. Clapp, Transportation Expert, New York City;

F. H. Farwell, Vice-president, Litcher and Moore Lumber Company, Orange, Texas;

J. D. Lowman, during the war representative of the United States Shipping Board in Seattle, and Vice-president of the Union National Bank, Seattle;

Frank C. Munson, President, Munson Steamship Line, New York City;

George Ed. Smith, President, Royal Typewriter Company, former President of the American Manufacturers' Export Association, New York City;

Chauncey Depew Snow, Manager of the Foreign Commerce Department of the National Chamber, secretary.

It should be mentioned that Mr. Munson does not concur in this report of the majority of the committee.

According to the report, "during the continuance of a system of free trade, England has to many intents and purposes been one great free port. In some quarters there was agitation in England for the establishment of technical free ports, but the bulk of opinion seems to have been that the British customs formalities incidental to the administration of the few revenue duties which have prevailed in England for many years, have not interfered to any great extent with the transshipment and reexport business which is so important in British commerce.

"When a country has not a comprehensive schedule of, and when most merchandise is exempt from, customs duties, customs supervision and customs routine are not likely to bear heavily on merchandise brought into a country temporarily and reexported, either in its original form or after manipulation or manufacture. On the other hand, in a coun-

try which does have a comprehensive schedule of customs duties, particularly protective duties that are high, customs supervision over all classes of imports becomes close, and the transshipment and reexport business is likely to become entangled in more or less necessary red tape. Accordingly, a country under a protective tariff régime which attaches importance to the building up of international commerce, and developing the transshipment and reexport business, may strive to set up machinery which will facilitate the transaction of such business, while not interfering with the operation of the protective principle for the country itself. It is in this connection that the institution of the free port or free zone in a seaport has been estab-



The busy docks of Copenhagen. Because of the free port much trade is attracted here.



bama and other oriental ports. If we had, or if we were going to have no great, dependable, frequent shipping service to the West Indies and Latin America, to the Scandinavian countries and to other parts of the world with which, possibly, we have had inadequate shipping connections in the past, naturally the building up of a greatly increased transshipment business might be regarded as out of the question, and it might be admitted that there is no reason for the widening of our port facilities to encourage a line of business that has grown up in Europe, where conditions are different. The committee recognizes that certain geographical and economic conditions making for the growth of transshipment business in European ports do not exist here, but on the other hand is convinced that from shipping, financing, and other service standpoints, and from a mercantile standpoint the United States ports do possess good possibilities for bringing about greatly increased transshipment trade.

The other chief argument for the free port or free zone is its importance in building up a broad consignment market—that is, a consignment market for import as well as for reexport. In the European free zones many grades of many commodities, raw materials and semimanufactured materials for use in manufacture, as well as finished products, are received in the great entrepot ports in quantities large enough to make for econom-

ical ocean shipment. There manufacturers and merchants of the country, and buyers from foreign countries go and buy, for immediate delivery, in the quantities desired by each individual purchaser, grades of merchandise which are known from actual display. Auctions in consignment markets lead to advantageous purchasing. Grades and commodities found not to be suitable for use in the United States can be reexported without seriously hampering customs formalities.

Our system of bonded warehouses has handicapped the development of this class of business. The American manufacturer or merchant today has to negotiate at long range, often through foreign middlemen, for comparatively large quantities of dutiable merchandise. With free zones in the United States, where a broad consignment market could be built up, our business men would have the advantages which European business men have of negotiating in the ports of their home country for quick delivery of merchandise in amounts immediately desired and grades known by inspection. The American manufacturers would benefit by having stocks of dutiable supplies readily accessible, and could buy in quantities as needed without tying up the large sums of money now tied up in carrying comparatively large stocks, by reason of the non-existence of the facilities of a consignment market in the United States. As a diversified entrepot and consignment

business grows up in the United States it would direct to our markets a great many Latin-American and other buyers abroad who now do their buying in the established consignment markets in European centers.

The committee concludes: "This committee of the Chamber of Commerce of the United States believes that permissive legislation should be passed authorizing the establishment by local bodies at their own expense, under approved Federal regulation, of free zones in the ports of the United States. It is believed that a free zone is a part of the equipment of a country for doing a diversified international trading business which American business men ought to have made available to them. . . .

"Free zones will bring added business to American banks, insurance companies, freight forwarders and warehousemen; that free zones will bring about a vast improvement of the type of facilities provided at present only by bonded warehouses and drawback, together with a simplification and saving in the work of customs administration.

"The United States, with its new merchant marine, its expanded equipment for foreign banking, foreign merchandising and marine insurance, occupies a new place in the trade of the world. The establishment of free zones will be a step forward in improving our material equipment for building up our international trade."

# Muscle Shoals, Close-Up No. 2

By CHARLES H. MACDOWELL

THERE is romance aplenty in the story of Muscle Shoals as told by Mr. Frederick Simpich, who writes so entertainingly in the January issue of *THE NATION'S BUSINESS*. The trouble is, in the discussion of this subject, the layman is apt to miss the cold, hard facts, which are not so entrancing. Until the facts are appreciated by the American public, however, Muscle Shoals will continue, as it is today, the most serious menace of the entry of government into competition with private industry.

Even Mr. Simpich suggests this program when he says that "perhaps the central government itself will be compelled, in order to safeguard the nation from going hungry, to take control of the fertilizer trade to develop other power plants like the one at Muscle Shoals." Thus, as one who falls under the spell of the romance of Muscle Shoals, he embraces the false doctrine of government entry into private business.

The nation is in no danger of going hungry from lack of anything Muscle Shoals can supply. If the Muscle Shoals nitrate plant were operated its contribution to the feeding of the nation could be only by producing a nitrogenous fertilizer material. The plant was designed to make nitrate of ammonia, an explosive material. Nitrate of ammonia, because of certain mechanical defects and chemical properties that are among the facts of this Muscle Shoals situation, is not a suitable fertilizer material. Advocates of the operation of the nitrate plant have therefore proposed that it be used to make sulphate of ammonia, a standard fixed nitrogen fertilizer material.

Figures are unromantic, but necessary to the discussion. In 1916—before the war—our production of ammonia was equivalent to 183,000 tons of sulphate of ammonia and our consumption in that year was 272,000

tons, so that it was necessary for us to import 89,000 tons, mostly from Great Britain. But in 1920, due to the expansion program of the war, we produced 490,000 tons, consumed in this country 320,000 tons, exported 130,000 tons and carried over the remaining 40,000 tons as a surplus. About 130,000 tons of sulphate of ammonia are consumed annually as fertilizer by the American farmer.

The price of sulphate of ammonia has gone down to less than the pre-war price. It is a by-product of the coke ovens and the gas works and, as such, is produced far cheaper than it can be produced by the synthetic process for which the Muscle Shoals plant is designed.

The wholesale price of sulphate of ammonia during 1921 has averaged less than

\$50 per ton. The cost of producing sulphate of ammonia at Muscle Shoals has been estimated by competent engineers at \$69 per ton. The American Farm Bureau Federation estimates the cost of production at Muscle Shoals from \$50.58 to \$60.13 per ton.

A romantic story has gone about that the Muscle Shoals nitrate plant could free us from the "Chilean Nitrate Monopoly." How is this to be done? Muscle Shoals propaganda answers: "By substituting for Chilean nitrate the product of the Muscle Shoals plant, sulphate of ammonia." But we are now importing nitrate of soda actually at a higher price per unit than we receive for the sulphate of ammonia we are at the same time exporting. The reason is that in the fertilizer industry, in the making of black powder and in the chemical arts Chilean nitrate of soda answers certain purposes which sulphate of ammonia cannot answer so well, and in most cases not at all. Nitrate of soda is also the Chilean's dollar to buy American flour, meats, boots, shoes and Yankee notions.

Again, in the treatment of raw phosphate rock and shale rocks containing potash, stubborn facts interpose to challenge the conclusions that read so delightfully on paper. These are physical facts of location and distance. The cost of mining and transporting the potash shale rocks from widely scattered deposits to Muscle Shoals would be so high that, even if the difficulties involved in such recoveries were solved, which they are not, the added expense would be so great that successful competition with German and French producers would be impossible. It should be noted that the French owners of the Alsatian deposits are now in active competition with the German producers.

A commercially successful method of breaking down phosphate rock in the electric fur-

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nance at a price low enough to compete with the practical and almost universally used sulphuric acid method is yet to be worked out. Further, the product resulting from this process would be so concentrated and its mechanical condition so difficult that the American farmer would have trouble in distributing it properly over his land. If one side-steps practical considerations and known physical conditions, the scheme looks fine—on paper.

These facts are, of course, well known to the American companies engaged in the ammonia industry and in the manufacture and marketing of fertilizers. That is why no private interests have offered to take over the Muscle Shoals nitrate plant and operate it without the aid of a subsidy from the Government. Mr. Henry Ford has offered to take it over providing he be given a heavy subsidy.

The Ford offer is in two parts. First, he proposes to pay \$5,000,000 for certain property upon which the Government has expended \$87,365,000. This property includes not only the nitrate plants but considerable power plant property connected by more than 40 miles of electrical transmission line. Its salvage value is easily much more than Mr. Ford offers to pay for it, and at the present time the 80,000-horsepower steam plant to which Mr. Simpich refers has been leased by the War Department and is bringing in revenue to the Government.

But it is the second part of the offer—and the offer must be accepted or rejected as a whole—that is doubtless of most importance to Mr. Ford. He proposes that the Government complete the Wilson Dam and power house and build still another dam at a point upstream, and lease the whole of it to him

for 100 years with renewal provisions making the lease virtually perpetual.

Another of Mr. Ford's conditions is that the Government shall install equipment for a large block of secondary power which could only be used during a part of the year. The required secondary power is far greater than a private company would feel justified in providing a capital expense for, but, as the Government would put up the money, Mr. Ford is insisting that this unusual equipment be installed.

As rental he proposes to pay annually, after a few years, 6 per cent interest on \$28,000,000, or \$1,680,000 per year. This, however, is not enough to pay the interest even at the Government's rate on the new money that Uncle Sam must invest to complete the water power. For on top of more than \$16,000,000 already invested the Government must add \$57,000,000 to \$61,000,000 of new money, according to the published estimates of its own engineers, to complete the Wilson Dam and build the other dam required by Mr. Ford. Here is how it would work out under the Ford proposal in the first 100 years of the lease:

#### FORD PAYS TO THE GOVERNMENT—On the other hand—GOVERNMENT PAYS OUT

1. Interest .....	\$161,040,000
2. Amortization installments compounded annually at 4 per cent.....	48,000,000
	\$209,040,000
Government subsidy to Mr. Ford.....	984,975,000
	\$1,193,975,000

So Mr. Ford would have subsidy enough to justify him in making an experimental operation of the nitrate plant.

There may be a feasible water-power development at Muscle Shoals which should take its place in the program of future building to meet the power needs of the nation's growing industries. Let it be placed on the same basis as every other water power so that it may be developed in a proper way by private interests under the safeguarding provisions of the Federal Water Power Act. Then let Mr. Ford or someone else have a fifty-year lease under the provisions of that act. Let us have an end to the attempt by propaganda to make the Government bear the cost of this development without receiving a proper return. Let us take the Muscle Shoals question out of politics and give it a business solution. So much for the water power.

As to the nitrate plant, let it be kept in stand-by condition for a future emergency. No matter how much nitrogen we have in time of peace, we will need an additional supply in case of war. Merely as a reserve for possible future need—as a measure of preparedness—we can afford to maintain the Muscle Shoals nitrate plant well preserved in idleness. And the cost of this maintenance

1. Interest received from Ford paid toward annual interest charges on new outlay for construction.....	\$161,040,000
2. Interest deficits (difference between Ford payments and Government's total interest bill) compounded annually at 4 per cent .....	1,032,935,000
	\$1,193,975,000

should come well within the revenue now being received as rental from the steam power plant.

# Why Not Cut Out Middlemen?

By L. D. H. WELD

A CERTAIN manufacturer of a hardware specialty was imbued with the idea that he ought to sell direct to retail stores. He had heard so many people say that the great need of the day was to cut out the middleman and to market goods direct, that he had come to believe it. So he decided to cut out the jobber and sell direct to retail stores.

Let's see what happened.

In the first place he knew, of course, that he'd have to employ a lot of salesmen. He had been selling to two or three hundred hardware jobbers, and this required only a few salesmen who didn't have to make very frequent calls. He realized that he couldn't hope to cover all the retail hardware stores in the country at first, so he decided to cover several states in the most thickly settled part of the Middle West. Perhaps the jobbers who operated in the rest of the country would continue to handle his goods.

So he hired fifty new salesmen, gave them instructions, and sent them out. He knew that their traveling expenses would be pretty heavy, but he hadn't gone far before he was dismayed at the size of their expense accounts. He found that he had to have more brains and clerical help in his office to manage these men, to see that their expense accounts were properly checked, to pass on the credit rating of the new customers, etc.

He had realized that he would have to anticipate orders by having more goods on

THERE has been a universal outcry against the middleman lately. He gets the blame for most of the ills of distribution. People seem to forget that the middleman is a creation of commercial evolution, that he performs a service in getting goods from the man who produces to the man who consumes, and that he will continue to be necessary until something better takes his place.

If the middleman is an economic parasite, it ought to be easy to eliminate him. But let's see what happens when we try it.

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hand. When he had been selling to jobbers, he could govern the output of his plant by the orders he was receiving. Orders were for fairly large amounts and did not have to be delivered for some time. So when he got orders he would turn out the goods.

Retailers want their goods as soon as possible after they place orders. Therefore, our manufacturing friend made up a lot of goods in advance and had them ready to deliver. He had not realized beforehand just what this would mean, but soon discovered

that he would have to keep on hand continuously five or six times as many goods as before. This meant the tying up of thousands of dollars more than formerly, and he naturally had to borrow more money from the banks and, incidentally, pay larger sums in interest. It became more of a job to finance his business. He began to realize that the jobbers had really been financing his business for him, by taking his goods and paying for them when they were ready to be put on the market.

Not only this, but he found that he did not have room to house all the goods he had to keep on hand. At first, he rented a warehouse near his plant; then he planned to build a warehouse of his own.

The next discovery was that he could not make deliveries quickly enough from his plant, and that he would have to carry stocks of goods in public warehouses in a few large cities scattered over his territory. This also meant a small office in each of these cities, with a local representative and a clerical force. He was undertaking to do what the various jobbers had been doing for him.

Another thing: The jobbers had been ordering goods in fairly large quantities. Now he was astonished to find that retailers were ordering goods in less than case lots. They wanted to buy a dozen at a time—and even a half a dozen. He either had to pass up a large number of the small retailers, or else be willing to sell a half dozen articles at



a time. This he attempted to do, but found that he had to set aside one part of his shipping room to take care of these small orders; that more men were required to handle these orders, that more packing boxes were necessary; and that more accountants were required to take care of the larger number of transactions.

Then he found out that a lot of the salesmen, who were covering country territory, were not earning their way. Although retailers were buying his product in as large quantities as before the volume of business on his one single commodity was simply not large enough to warrant the expense of covering a considerable part of his territory. He began to realize that the jobber's salesman had been selling not only his article, but thousands of articles made by other manufacturers. Hence, they had been getting enough volume to make it worth while to cover country territory.

One would think that our friend would have encountered enough difficulties by this time to have caused him to give up his direct-selling experiment. But just to make a good story, we'll mention one or two other troubles before we point out the moral.

When he had been selling through jobbers, he had had practically no losses from bad debts, and his cost of collections had been practically nil. He found that retailers were "slow pay," and that they had to be followed up. He also found that a few didn't pay at all!

### But They Weren't Delighted

HE had confidently expected that retailers would hail with delight this attempt to sell to them direct, but in this he was also disappointed. Some said: "We don't want to be bothered with so many salesmen; we make up the list of things we need, and place our order for all these goods with our jobber; that saves our time." Others seemed to think that since they were buying "direct" they ought to be able to buy the stuff cheaper; they wanted to get at least a part of the jobbers' margin. But the manufacturer found that it was costing him just as much, and more, to do the jobber's job, and therefore he could not make any price concessions.

He also discovered that after he began to manufacture "for stock," instead of "on order," he had to buy raw materials far in advance. This was a constant source of worry, because the blamed things fluctuated in price. He realized that he had to assume certain risks that had not troubled him before. He was thankful, however, that the price of his finished product did not have to be changed to any great extent, although he realized that he often had to make concessions, or quantity prices, for some of the large purchasers, and this was another cause for anxiety, especially when chain stores and a few cooperative buying exchanges began to do business with him. It was when certain retailers refused to handle his goods, because he was selling to chain stores, that he threw up the sponge. He wrote off a loss of a couple of hundred thousand dollars, and went out and told his old jobber friends that he'd be good for the rest of his life.

The foregoing picture has perhaps been overdrawn, but it represents approximately what would happen if any one of thousands of small and medium-sized manufacturers should attempt to sell direct to retailers. Yes, and the same thing would happen to most large manufacturers, if they tried it.

The moral is that when you eliminate a middleman, you don't eliminate the services that he performed; and you don't eliminate

the cost of those services. In fact, you are more likely to increase the cost if you try to perform them yourself. Direct sales would therefore mean a greater expense between the factory and the consumer, and hence a higher price to the consumer, rather than a lower one.

There are certain things that have to be done in getting goods from producer to con-



sumer. Someone has to go out to make business connections, and to take orders. Goods won't sell themselves, though advertising will help. It is necessary to tie up money in goods and to assume the merchandising risks of price changes and deteriorations of goods. Proper storage places have to be provided. The goods have to be assembled at convenient shipping points. Large packages must be broken up into smaller ones, etc.

These are the services that middlemen perform. They can do them more economically than manufacturers or producers because they are specialists; because they give their whole time to them and become expert; because, by combining the outputs of hundreds of small manufacturers, they can do a sufficient volume of business to keep down their overhead expenses; because they are located near their customers and can make quick deliveries; and because they are in such close touch with their customers that they know how much credit to give and how to keep collections coming in at a minimum of expense.

The conclusion to be drawn from all this is that jobber-middlemen have come into existence and stayed in existence for the simple reason that they perform necessary services, and because they perform them at less expense than can the producers themselves. The addition of another middleman in the marketing chain often reduces the total cost of getting goods from producer to consumer. And, conversely, when a manufacturer decides to "go direct," he is more likely to increase marketing expenses than to reduce them.

Of course this reasoning does not apply to all classes of producers or to all kinds of commodities. In marketing such a perishable product as milk, for example, it has been found that the company which assembles milk from country points cannot only clarify and pasteurize and bottle it, but that it is best for it also to sell it direct to consumers, or in some cases to retail dealers. There would hardly be time to have it move through the hands of a jobber, even if there were no other reasons.

Also certain large concerns have a sufficient volume of business to make it possible and economical for them "to do their own jobbing." Combine large volume with perishability, and we find the principal reasons why the large meat packers sell direct to retailers all over the country.

And then there are certain products like sewing machines and adding machines, which are of high intrinsic value, and which require expert demonstration as well as a certain amount of service after sales are consummated—which means that it is better for the manufacturer to go direct to consumers, ignoring even the retailer.

And so we have a variety of marketing methods, depending on certain characteristics of the goods, the size of the manufacturer, etc. But as a general rule, in the case of most of our staple commodities, such as those that are bought in grocery stores, drug stores, dry goods stores, hardware stores, etc., the most economical method is through the hands of jobbers. In many cases it is more economical for manufacturers even to use commission men, manufacturers' agents, brokers, and the like, in order to get their goods into the hands of jobbers.

### Outspinning the Spider

ROMANCE in business? Of course there is. As soon as we think of foreign trade we get the glamour and thrill of it; and to Joseph Pennell's eyes a giant crane or a viaduct or a steel mill is a picture. But who of us ever thought of romance in connection with wire rope?

John Kimberly Mumford has not taken wire for granted. In "Outspinning the Spider" (R. L. Stillson Co., New York) he has told the story of an amazing industry in a fashion to rival the fictionist. Let a single passage speak:

Seven one-thousandths, three one-thousandths, one one-thousandth—one record after another was passed.

At last a wire was drawn that measured one four-thousandth of an inch in diameter—twelve times finer than the hair on your head.

The spider, so long counted a master workman, had been outdone.

As a young engineer, John A. Roebling, back in 1873, wrestled with the tedious problem of hauling Pennsylvania Canal boats up the Portage railroad which Bertrand, one of Napoleon's generals, had built to overcome the Pennsylvania ridges. The haul was made by means of huge and cumbersome hemp ropes.

Roebling read in one of the papers that had been sent to him from Germany that someone in Freiberg, Saxony—where wire drawing had its birth—had made a strong rope by twisting wires together, and the young engineer conceived the idea of utilizing this twisted wire rope on the Portage railroad.

So the Saxonburg wheatfield was turned into a rope walk. Ceres made way for Vulcan. The neighbors, as soon as material could be shipped in from the falls of the Beaver River, where wire drawing was done, found themselves under young Roebling's direction twisting wires, with rude appliances for torsion, into a fabric which had never been made or seen or probably heard of in America before, but which was destined, in a comparatively short time, to change the face of industry.

Wire rope, spreading its field of utility wider and wider, carried with ease and safety loads that "had broken the back of hemp." Wire cableways for hauling material over rivers and gorges soon ceased to be a novelty.



# Keeping the Americas Together

By JAMES B. MORROW

**A** GOOD DEAL of nonsense has been written about the trade of Central and South America.

A nationalistic view often causes a Yankee trader to say that the South American or the Central American looks and acts peculiar to him. The Yankee trader in his provincialism or egotism doesn't stop to think how he looks and acts in the eyes of others when he himself is away from home.

All business men the world over are in business to make money. The principle here stated rules among the Spanish and the Portuguese of Argentina and Brazil, as it rules on Broadway in New York or anywhere else among human beings who buy and sell.

"Profit" is the password that opens the wickets and frosted glass of civilization and the tents of heathendom. Speak it, and the limited express will stop and the caravan of camels halt upon the sands. Judge Gary, Mr. Schwab and the Arabian merchant, at bottom, are working toward the same end.

Then why dwell, it may be asked, upon an ancient and controlling fact? Because the simplest of truths are sometimes overlooked. The mind, surprised or amazed by strange customs, or misled by unsound information, flounders, when it should work steadily and with precision.

## They Sold the Razors!

**T**WO Yankees, young, enthusiastic and green as grass, appeared at Buenos Aires. They meant, they said, to trade among the Spanish. Their countrymen, settled there and sophisticated, smoking at the club and winking at one another, gave them some advice.

"Try the Minister of War," they said. "He may order safety razors for the students at the military college."

The frolic in the suggestion lay in the tradition that the Spanish, having little respect for barbers and their occupation, thought it demeaning to shave themselves. By signs, not understanding the language, the young Yankees, raw but agreeable, eager and unafraid, visited the Minister of War—and sold him a large bill of razors!

Other jocular recommendations, bearing on electric irons, egg-beaters and so forth, all so-called novelties, were accepted by the ignorant young Yankees in good faith and sales were made to dealers with awkward use of the Spanish language and for the reason—and here is the second great principle of successful barter—that the desires of man, active or latent, at the base, are much the same.

Those two Yankees now live on Long Island. They have estates, yachts and motors. Agents in the large towns of Argentina manage their branch houses. The men who joshed them into their fortunes may still be smoking and winking and disseminating legends that are obsolete or never existed.

Right at this point it is well to state something else that is understood by everybody. Quantitative production has given this country its present high place among manufacturing nations. Standardization is an American idea. Then, that being so, why stop the machinery, thus increasing the cost of the unit, to put a green stripe around the center of an article so as to please a small customer in Chile or Guatemala? Why not give him a better article at a lower price than is offered

by the Briton or the German? And a salesman who can make the matter plain?

There is another hallucination that needs some attention. An excess of imports from Central and South America over exports to those countries is no evidence to the United States that its trade in that direction is unsatisfactory generally or that specifically it is dwindling.

This nation has always bought more goods in Central and South America than it has sold to either and to both of those countries. And it always will, experts say. "This condition," William C. Wells asserts, "is regarded as permanent."

The value of the goods sold to the United States (keep in mind the words "sold to") by the twenty Latin American countries totals more in dollars than do all the goods purchased (here "purchased" should be remembered) by those twenty countries in the markets of the entire world.

Mr. Wells is a sensible and an able man and the chief statistician of the Pan American Union. He shows that imports from Latin America—rubber, hides, flaxseed, nitrate of soda, vanadium, tungsten and so forth—increase the wealth of the United States by giving dividends to manufacturing capital and wages to industrial labor. All are worked up here.

Leather has built cities and towns in New England and rubber has done the same in other parts of this country. Much of the leather was manufactured from hides brought from South America. Much of the rubber has come from Brazil. The Latin American wears shoes and rides in saddles that were made from hides that he himself sold to tanners in the United States; and the tires of his automobile were fashioned from the rubber gathered in his own forests.

Sentimentally and practically the United States and Latin America ought to be bound together indissolubly in opinions, aspirations and friendships. The romance of their relations began with Clay and was given a modern coloring by the genius of James G. Blaine.

While Simon Bolivar, the heroic Venezuelan general and statesman, the "Liberator" and hero of South America, was battling for freedom against Spain and Portugal, Clay, in the United States House of Representatives, argued in behalf of the official recognition by this country of Bolivar, his soldiers and his purpose.

"There cannot be a doubt," said Clay in his speech, which afterward was translated into Spanish and read to the armies fighting for liberty, "that Spanish America, once independent, whatever may be the form of governments established in its several parts, will be animated by an American feeling and guided by an American policy. The government will obey the laws of the system of the New World, of which they will compose a part, in contradistinction to that of Europe."

Thus foreshadowed, in March, 1818, by Clay, the Monroe doctrine was given form and substance in 1823. "All America," Clay had said in his great speech, referring to the political system of the United States and accepted by Spanish America, "will be interested in maintaining and enforcing such a system."

Seventy-one years later came Blaine, Secre-

tary of State in Benjamin Harrison's Cabinet, with two historical suggestions: Peace throughout this continent and closer commercial relations between this country and all of the countries beyond the Rio Grande. He went before the Ways and Means Committee of the House of Representatives, a high protective body, and urged reciprocity with Latin America. And when he was rebuffed, he struck the table with his plug hat and angrily left the room.

## The Genesis of the Pan American

**I**T was Blaine who called a conference in Washington of delegates from the nations of Central and South America and this conference resulted in the creation of the International Bureau of American Republics, which organization is now known as the Pan American Union. It is composed of twenty-one republics, with headquarters at Washington, in a marble building, paid for by Andrew Carnegie and the republics in the proportion of \$850,000 by him and \$250,000 by them. It is one of the most beautiful edifices in the New World.

The Pan, or All American Union, "is devoted to the development and advancement of commerce, friendly intercourse and good understanding and peace" among the twenty-one republics. It is supported by the republics, on the basis of population, and its affairs are conducted by a director general, an assistant director and a governing board, composed of the Secretary of State of the United States and the diplomatic representatives stationed in Washington of the twenty other governments.

It employs international experts, commercial specialists, statisticians, editors, translators, librarians, clerks and stenographers. To Pan-Americanism it has given this semi-official definition: "Cooperation of the American republics and peoples for their common good." Actually it is a workable and successful league of nations and by moral influence has prevented war on more than one delicate occasion.

The present director general is Leo S. Rowe. In this instance Rowe is pronounced so as to rhyme with "bough" (of a tree) "mow" (a place for the storage of hay). Strangers who address the new director likewise should know that he is a "doctor" and that the title was given him by the University of Halle and by the National Universities of Argentina, Chile and Peru—a doctor of philosophy, as well as a doctor of law and literature. Callers, choosing the language they prefer, may speak to him in English, Spanish, German or Portuguese.

Whatever the tongue, Doctor Rowe will be found friendly and not pedantic, lively and not dull. He has gray eyes, a large chin and a brown mustache and is forty-nine years old. Born in Iowa, he was brought up in Pennsylvania and educated there and in Germany, studying for five years in the latter country.

After his return from Europe he entered upon the practice of law in Philadelphia. He found, however, that he was not interested, professionally or personally, in the allegation and denial that Smith owed Brown \$500. At the University of Pennsylvania his mind had been turned to large matters by Simon Nelson Patten, professor of political economy, and



Edmund Janes James, professor of public finance and administration.

Why worry over Smith and Brown when cities and nations were calling? Doctor Rowe closed his law office, after counselling with his father, and went to the University of Pennsylvania as an instructor in municipal government.

"You have chosen an honorable and useful career," said the father. "At the same time," he added, "you should remember that you will always be poor."

At the end of nine years Doctor Rowe was made head professor of political science at the university, a post he held when this country entered the World War. Early in his life as an educator he centered his outside studies on the status of Europe. He switched to Latin America in 1900, however, after his appointment by President McKinley to be a member of a commission to revise and compile the laws of Porto Rico.

### Twenty Years of Experience

SINCE then, twenty years ago, Doctor Rowe has worked and lived in South and Central America almost as much as in the United States; and always officially. He was a delegate to the Third International Conference of American States at Rio de Janeiro, in 1906; chairman of the delegation from this country to the First Pan American Scientific Congress at Santiago, Chile, in 1908; member of the United States-Panama Joint Claims Commission, in 1913; secretary general of the Pan American Financial Congress, held at Washington, in 1915. And so on and so forth.

In June, 1917, he was appointed Assistant Secretary of the Treasury and later was transferred to the State Department, where he was chief of the division of Latin-American affairs. When John Barrett, Director of the Pan American Union, resigned Doctor Rowe was given his place.

The notion that the United States is "the country of the dollar" passed naturally from Europe to Latin America. This misrepresentation of the United States, Doctor Rowe clearly saw, had to be answered in Latin America. And to that duty he pledged his best endeavors. The United States, he undertook to show, had a literature, an ethical life and lofty aspirations. He began his missionary efforts at the University of Pennsylvania. Other universities took up the idea. American educators visited South America; and in 1908, twenty-two delegates from this country, with Doctor Rowe as their chairman, attended the first Pan American Scientific Congress at Santiago, in Chile.

In the delegation were Bernard Moses, professor of history and political science at the University of California, and Arthur Michael, professor of organic chemistry, and Archibald C. Coolidge, professor of history at Harvard. It was the custom at that time for medical and engineering students in South America to finish their education in Europe. In recent years, however, such students in growing numbers have been coming to this country and Doctor Rowe has planned their courses and in other ways helped them.

The Carnegie Peace Foundation joined in the work of interpreting the United States to the peoples of Latin America. Translations into Spanish were made of the most representative American writings and English translations were made of the best Spanish literature. Three carefully selected libraries of from 3,000 to 5,000 volumes each were given to South American cities.

So while the business men of the United States were establishing and maintaining

commercial relations with South and Central America, a large group of educators in this country have been, in modern days, showing the spirit of the United States to the islands and the nations of Spanish America.

It is the conviction of Doctor Rowe that United States commerce and culture should work together in Central and South America; that the peoples of this hemisphere, men of affairs and men of education, should understand and respect one another. Ten years ago the trade of this country with Latin America was \$494,000,000. It has since reached almost two billions of dollars.

The foreign commerce of Latin America—products sold outside and purchased outside—totals four billions of dollars. Half of it, practically, is with the United States—most of it, as has been said, consisting of raw materials to be worked up in this country to the profit and advantage of capital and labor.

Both South and Central America were seriously affected by the outbreak of the war in Europe. New capital for the development of industries ceased to flow across the Atlantic. Countries that had taken up arms persuaded their nationals to turn their property into cash or material for war purposes. Overseas markets were closed.

A conference of the chief finance officers of the twenty-one American republics was held at Washington in May, 1915, "to devise means," as Dr. Rowe, secretary of the conference, explained, "of absorbing the shock of the European war and settling the economic relations of the free countries of this hemisphere upon so firm a basis that no disturbance can later imperil them."

The International High Commission was the result of the conference. It is made up of sections representing the United States and the republics of Central and South America. The commission, with nine members from this country, including Doctor Rowe, is working "to bring about greater uniformity and a more liberal spirit in the commercial law and administrative regulations in the American republics and more stable financial relations between Latin America and the United States."

In all of this work, the calling of the conference and the organization of the commission, Doctor Rowe had a leading part.

Dr. L. S. Rowe, head of the Pan American Union (you pronounce his name so that it rhymes with "bough")

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"The commission," he says, "is now in successful operation, the chief emphasis being given to the simplification of fiscal methods and the essential harmony of the commercial law in force in the American nations."

There are four items on the program of Doctor Rowe. Others will be added, as he tests the ground and becomes better acquainted with his new office. First, he purposes to teach patience to the business men of the United States. And pluck. Trade can be extended, he says, in Latin America. But not by leaps and bounds.

Then he intends to broaden the cultural sympathies and knowledge of the inhabitants of the twenty-one republics, each with and of the other. Manufacturing establishments in the United States, he thinks should be opened to the students of Central and South America—the students of electricity, engineering, chemistry and so on. Some of these youths afterward may be successful agents of American enterprises.

Again, Doctor Rowe hopes that his office will become a widely-used center of information. If Argentina requires the services of a railroad builder or manager he plans to be ready to suggest the man.

The last of his present four points is usefulness to all concerned—to the Brazilian, the Peruvian, the New Yorker and the Iowan. Useful commercially and educationally.





## Victims of Taxation

**B**ANKRUPTING TAXATION is not a pleasant variety for the individual or an advantageous sort for a community that expects to develop and get ahead. Yet bankruptcy is the threat which our present manner of levying the federal income tax holds out for every resident of the United States. At any moment, some official may demand of any citizen a sum of money beyond his resources, alleging it is due on account of unpaid taxes, and the citizen's denials of liability go for naught; he has to produce the money and later prove at his peril that it was not due, or he has to go into bankruptcy.

According to stories that have got about, this was the alternative forced upon a new company of size in the second half of 1921. The story goes that taxation officials demanded over \$4,000,000 in taxes—a sum beyond the company's ability to pay. Bankruptcy followed. It was then discovered that officials should have asked for \$500,000 in taxes, instead of four or five times that amount.

Possibly the facts are different from the story's recital. The exact facts in the particular case are not here in point. Even if the facts have become distorted in the telling, they nevertheless illustrate what may at any moment happen to any business house or any individual, of high or low estate.

Government officials are human and consequently fallible. Anglo-Saxon institutions have been built on the principle that in taxation at least, individuals should not be asked to bear the burden of that fallibility. In other words, no taxing procedure is consistent with protection of the individual's rights in a democracy unless it provides for the government ascertaining the whole amount of tax due before the government asks the individual to pay a cent.

For such a reform in our federal government's procedure the National Chamber has declared. The reform was not made in the revision of 1921. Too much importance cannot be attached to the accomplishment of such a reform at the earliest possible moment.

## Industrial Peace by Conference

**S**TRIKES are costly, as Secretary Davis shows in an article elsewhere in this number. They are as costly to labor, perhaps, as to capital. But they are costliest in many cases to the innocent bystander.

That is why President Harding in his message to Congress proposed "a judicial or quasi-judicial tribunal for the consideration and determination of all disputes which menace the public welfare." He would set up a commission to deal with "modern conditions of social and economic life." He would set up federal machinery for conference on industrial disputes. In its purpose this is not very different, apparently, from the industrial court now functioning in Kansas, but it would differ in this, that it would frame a code of principles to be applied to the question in controversy. In the path of such a movement are many obstacles. None will hope more fervently than the American public that the way may be smoothed to a more peaceful and less wasteful industrial order.

## Reorganize the Senate

**N**INE COMMITTEES in the United States Senate deal with appropriations. With the exception of the Committee on Agriculture, none handles all the appropriations for a single department. The Senate is not so organized that it is competent to cope intelligently with the Dawes budget.

The House has reorganized, with a single Committee on

Appropriations headed by Representative Madden. It is equipped to deal with governmental expenditures in the new spirit of economy and business common sense now made possible. The Senate has had as much time as the House to effect this necessary realignment.

Even with its present organization the Senate can deal after a fashion with appropriations, as set forth obscurely in the "Book of Estimates," that antiquated and universally condemned system which the alternative budget is intended to supersede. It may be able to muddle through somehow. And there is the possibility that it will prefer muddling through, if thus it can save prestige and prerogatives for some of its members, who would be shorn of their feathers by a reorganization. It cannot adopt this course, however, without committing itself to paper by its vote. And the country will watch the record.

## The Cabbage Crisis

**C**ABBAGES have been used in England as a favorite subject for illustration of the effects of increased freight rates, a question just as provocative of discussion there as here. The cabbage, it seems, brought the British farmer last summer one penny. The freight rate to London added twopence. The wholesaler put on another penny. The retailer followed suit. The result was that the housewife paid sixpence—and everybody, including the railroad, was dissatisfied!

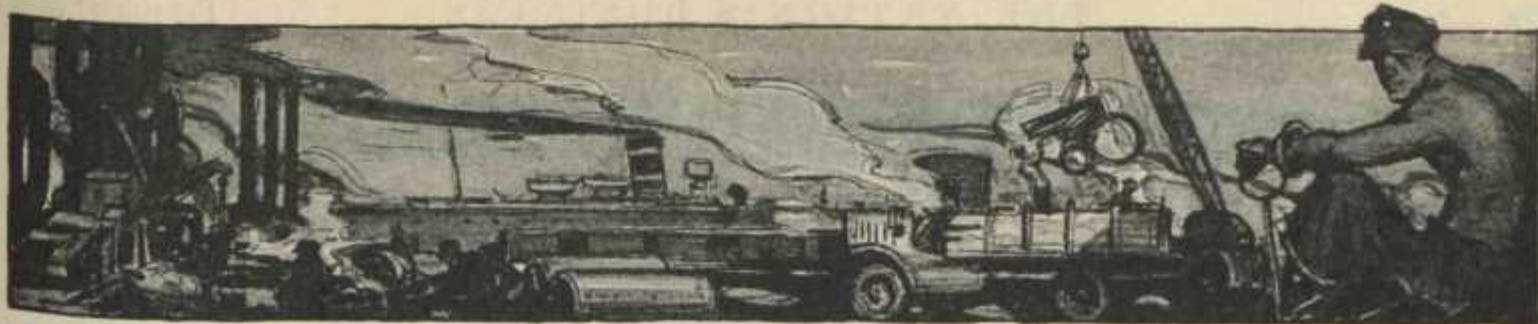
## Can You Refuse to Sell?

**R**EFUSAL TO SELL may be so highly organized as to transcend the right that each private business concern possesses and to contravene the prohibitions of federal laws. That would seem to be the conclusion reached by a majority of the Supreme Court in a decision rendered on January 3. Five members of the court took this point of view, while four dissented.

The case has a number of interesting phases. In the first place, it had a relation to maintenance of resale prices, with which the Supreme Court has in recent years had frequently to deal. From the manufacturer's point of view, there was probably involved only means for getting information which he was entitled to have and on which he had a legal right to act. The Federal Trade Commission may be forgiven if it was surprised at having its findings of fact reversed. Finally, the case came under the "unfair-competition" provision of the Trade Commission Act and not under the Sherman Act. The Colgate case of 1919, the Schrader case of 1920, and the Frey case of last spring, as well as the earlier cases on maintenance of resale prices, involved the Sherman Act; the present case, to be known as the Beech-Nut case, involves only the Trade Commission law of 1914.

A method for maintaining resale prices without violating the principles laid down by the Supreme Court in the cases arising under the Sherman Act was possibly the aim of the manufacturer. Those cases had said that, if there were no agreements, express or implied, a private business concern could refuse to sell to persons who did not observe its wishes as to prices at which goods were sold onward, and that it could indicate to dealers its sales plan, including its wishes as to resale prices and its intention not to sell to dealers who departed from its wishes. This was restated in the Frey case, which was described in *THE NATION'S BUSINESS* for June. The Beech-Nut company apparently proceeded upon the theory that in the light of the earlier cases it could let dealers know its desires about resale prices and organize means of information for





knowing whether or not dealers followed its desires. In stating its wishes and intentions, however, it not only indicated it would refuse to sell to a price-cutter but stated it would not sell to a dealer that, even at the prices it wished, sold to another dealer that had become known as a price-cutter.

The plan set up to get information about departures from the manufacturer's wishes was accordingly devised to afford evidence of the dealers through whom persons found disregarding the price named by the manufacturer had obtained the merchandise. Apparently, each shipment bore a key number identifying the dealer to whom it went and continuing the identification when the goods had got into the hands of persons to whom the manufacturer would not sell. For each manufacturer there seems to have been a card in the manufacturer's sales department, and this card bore notations to the effect that the dealer was or was not a person to whom the manufacturer would sell.

The Trade Commission held that there was unfair competition in this plan, which the commission and the manufacturer united in placing before the courts through an agreed statement of facts, but said the merchandising conduct of the manufacturer did not involve contracts by which resale prices are fixed, maintained or enforced. The majority of the court made it plain that the circumstance there was no implied or express contract for maintenance of resale prices did not conclude the case, since the Sherman Act was not under consideration, and that the manufacturer's plan went far beyond the single refusal to sell goods to persons who will not sell at stated prices, necessarily constituted a scheme which restrains the natural flow of commerce and the freedom of competition in interstate trade, and necessarily constrained dealers, if they would have the manufacturer's products, to maintain the prices suggested by the manufacturers. Therefore, the court held, there was unfair competition of the sort the Trade Commission is authorized to prevent.

The court thought, however, that the commission's order to the manufacturer for changes in method was too broad, and it directed that the prohibition upon the manufacturer as to future conduct should merely eliminate reporting of names of dealers who do not observe resale prices, enrolling of dealers upon lists of undesirable purchasers not to be supplied by the manufacturer until they give assurances of respecting prices, employing salesmen to assist in the plan by reporting dealers departing from suggested prices, and using symbols to mark packages through which dealers might be identified.

### Are Retailers Extortioners?

ATTORNEY GENERAL DAUGHERTY'S charges against retailers and retail trade associations are calculated to destroy public confidence in an important agency of distribution. In substance the Attorney General has declared, through the newspapers, that retailers, backed by their associations, have been guilty of collusion in fixing extortionate prices.

The retail business is now in a precarious condition; its course has been marked during the last year by an unprecedented percentage of failures, and there are indications that there will be many more failures after inventories are completed in January and February. It is difficult to believe that such a situation has arisen in the face of a general agreement to keep up prices.

It is an established fact of economic observation that in periods of price fluctuations wholesale prices move first and farthest, while retail prices move more slowly and less violently. Wages and rents follow in the order named. Even a casual

examination of conditions shows how closely the change of retail prices has followed this schedule. It is a further fact of experience that, whatever the price movement, retailers customarily mark down their prices during January, partly in preparation for the February inventory.

Charles E. Wry, executive director of the National Association of Retail Clothiers, has sent the Attorney General a lengthy telegram which was printed in full in the trade press, but of which we can find space for but one representative paragraph:

We speak for 6,000 leading retail clothing merchants, members of the National Association of Retail Clothiers, who distribute 60 per cent of the men's wearing apparel in the United States. Speaking for them we resent your statement that retail clothiers' profits are unconscionable and their prices too high. This statement is not true, and anyone cognizant of the facts will admit its untruth. The retail clothing merchants have made every possible effort to reduce prices. They have taken huge inventory losses and are constantly taking further such losses. In general, clothing today is being sold at retail at a much smaller percentage of profit than ever before.

The Department of Justice seems inclined to try the case of the retailers in the newspapers rather than in the courts. To this method there is a direct advantage; for it does not require the marshaling or disclosing of facts. If the Department of Justice has facts, or can find them, it has a duty to set legal machinery in motion that the laws of the country may be enforced. If the Department has no such facts, its duty is equally plain. Dereliction of duty in such matters means injustice of a kind citizens in a democracy should not be expected to undergo.

### Taking the Losses

FROZEN CREDITS do not by any manner of means always thaw out, as many a banker and business man knows. It has just been made public that in the twelve months ended with last June the national banks of the country charged off \$179,885,000 as losses. State banks and trust companies would probably show a figure at least of the same size. Thus, the losses taken in the year by all banks of the country would seem to go up pretty close to \$400,000,000.

Of course, the whole of the amount charged off by banks did not directly represent frozen credits. For national banks, the losses were distributed as follows:

On Loans and Discounts.....	\$76,210,000
On Bonds, Securities, etc. ....	76,179,000
Other losses .....	16,868,000
On Foreign Exchange .....	10,628,000

### Nipping the Rat in the Bud

NO ONE is better equipped than Mr. Samuel Untermyer to talk turkey about open-price associations. He made a speech in Boston recently upon this topic. According to a press report he denounced these and other combinations as "festering barnacles on our industrial life that are fairly choking it to death."

Mr. Untermyer may be 100 per cent as a prosecutor of iniquitous organizations, but as a maker of metaphors he would have to be scaled down considerably. Barnacles (1) do not fester and (2) have never been known to choke anything to death. This figure of speech deserves a place beside that famous outburst of the Irish parliamentarian who shouted at the presiding officer, "Mr. Speaker, I smell a rat. I see him floating in the air, but mark me, sir, we shall nip him in the bud!"



# The Appropriation for Project 6

By a Member of the Bureau

CALDER, Chief of the Division of Construction, was talking loudly and waving a telegram before Arnold's face. Arnold, Chief Clerk of the Bureau of Science, was worried and was glancing around his office as if seeking a way to escape. Speaking still louder, for the benefit of two visitors and to further intimidate Arnold, Calder shouted, "This is no time for a chief clerk to be a slacker."

Arnold surrendered. With a sour look he took the telegram and, turning, pressed a call button on his desk. Snowden, the old colored messenger, shuffled in, making a humorous attempt to appear full of pep. Calder looked pleased—he had passed the buck.

"Get this message signed," Arnold directed, handing Snowden the telegram.

Shuffling down the hall, Snowden read the telegram. He has been the doctor's messenger for fifteen years, and one of his duties is to read all important papers. At the doctor's room, with his big feet in plain view below the latticed door, he listened for voices. There was no sound, and he slowly opened the door.

Doctor Bennet was seated at his desk reading. The top of his black curly head was Snowden's only guide to his frame of mind. He paused, watching the doctor intently. Mr. Arnold and Mr. Calder wanted that telegram signed, and he didn't want to fail them.

The doctor turned over a page. Suddenly coming to life, Snowden shuffled up to the desk and, slipping the message over the report, said, "Yes, sir, if you please, sign, Doctor," in his most pleading voice.

The doctor was reaching for his pen when he thought of his promise. Snowden gave the telegram another shake and again pleaded, "Yes, sir, if you please, sign, Doctor."

But when the doctor makes a promise he keeps it. At the Interior meeting, which was attended by President Harding and all the principal government officials, he had promised General Dawes to help save money for Uncle Sam.

"Snowdon," he said, "I've told you several times to lay all telegrams on my desk so that I can examine them carefully. I promised General Dawes that I was going to cut down expenses. You know who General Dawes is, don't you?"

"Yes, sir," Snowden replied very emphatically, "Hell-and-Maria."

"Tell Mr. Calder and Mr. Arnold that I would like to see them," the doctor said.

When Snowden left, the doctor picked up the message. It read:

W. R. Adkins,

Superintendent, Project No. 6.

Authorized expend two hundred thousand dollars for new equipment. Requisition eighty-four.

"Two hundred thousand dollars!" the doctor exclaimed. "And slipping the message through by Snowden. That's some of Mr. Adkins' work."

The doctor's thoughts centered on this problem—the expenditure of the \$200,000. Would it help or hinder business and the working men to spend this money? But General Dawes said that high taxes were

## Along Came Dawes!

IN the good old days when taxes pressed lightly and appropriations came easy, money was considered gone as soon as Congress authorized an expenditure. The idea of turning funds back into the Treasury never occurred to anyone.

Hence bureau chiefs passed on expenditures as a matter of routine and naturally it often happened that large sums were authorized in a happy and carefree manner. They tell of one who signed his own resignation, which had been slipped into a stack of papers by a practical joker who wanted to see how careful the chief was with his signature.

But alack! This man Dawes came along and everything is changed. This is a story of the change itself. It tells of a bureau chief who has seen the light and is determined to do his duty regardless.

THE EDITOR

hurting business. The high taxes were due to numerous expenditures. He would keep his promise and save the money. That was his duty.

Snowdon ushered in Mr. Arnold and Mr. Calder.

"Gentlemen," the doctor said, "here's a telegram which authorizes the expenditure of \$200,000 at Project No. 6. That's too important a message to send in by Snowden to get signed."

Arnold and Calder looked very uncomfortable. Finally Arnold said, "Mr. Calder told me that requisition 84 had been practically approved and that the telegram was simply advance notice to Mr. Adkins."

"I do not recall practically approving requisition 84, Mr. Calder," the doctor said.

"You have probably forgotten the circumstance, Doctor," Calder said. "We were discussing the completion of the work at No. 4 at the time, and I remarked that No. 6 was also doing good work and that Mr. Adkins had written me about the additional equipment. You appeared before the committee, Doctor, and made a strong argument for the money. Naturally I had no idea that you intended to disapprove its expenditure."

"The appropriation of money by Congress," the doctor said, "no longer necessarily means its expenditure. Conditions frequently change after we appear before the committee and after Congress appropriates the money. In future we must give more consideration to our moral as well as our legal right to approve the expenditure of government funds."

"Of course," the doctor continued after a pause, "I know how hard it has been for us to get money from Congress for our scientific work and that the idea of turning back into the Treasury money that we have finally succeeded in getting seems very foolish. But conditions have changed, gentlemen, since Congress made that appropriation. The government bureaus, under the direction of General Dawes, are making an effort to save money and reduce taxes. Under the circumstances No. 6 can wait another year for the additional equipment."

The doctor handed Mr. Calder the telegram and the two men left the office. The fight over the expenditure of the \$200,000 had started. The doctor knew that Adkins, the superintendent at No. 6, and his friends would never allow that money to be turned back into the Treasury until every possible pressure had been brought to bear. He waited for their next move with considerable interest.

And the next move developed quickly. Adkins appeared in Washington. A big, bronze-faced man from his outdoor work as an engineer, he came into the doctor's office a few mornings later plainly looking for trouble. He was followed by Arnold, Calder, and Snowden.

"Good morning, Dr. Bennet," Adkins growled. "I came up to see if it was true that you were going to disapprove my requisition."

"Yes, it's true, Adkins," the doctor replied.

An angry light flashed in Adkins' eyes. "I read the report of the Interior meeting," he said after a pause to get control of his temper. "Dawes," and he snapped

out the name, "said that every man would get credit for his savings. I never thought that you would be caught by such bait. To make a record for yourself and Dawes you will ruin No. 6. You have no right to take such responsibility. I am talking to you straight, man to man."

"And I am going to talk to you straight, Mr. Adkins," the doctor said, rising from his seat. "Conditions have changed. We are trying to put more business into the government and reduce the taxes on the people. It is commendable in the field men to be ambitious for their work, but they must get over the idea that the whole government revolves around their particular activity and that the Treasury ought to be at their disposal."

"Referring to me, Doctor?" Adkins asked.

"Yes, I am referring to you," Doctor Bennet shot back. "You are thinking only of No. 6. The high taxes are the last thought in your mind. I am trying to do my duty and you come in here and accuse me of acting purely from selfish motives. I do not propose to sit quietly and let you make such statements, Mr. Adkins, and I advise you not to repeat them."

In fifteen years Old Snowden had never seen the doctor so angry. Adkins and his army gave indications that they were ready to retreat, and Snowden hurriedly opened the door so they could get out.

At first the doctor thought he would order Adkins back to his work, but he finally decided to let him stay and carry the fight to a finish.

Arriving at his office a few mornings later the doctor found two newspaper clippings on his desk. The headlines of the first read:

## DISCONTINUED

### Washington Makes Strange Decision

Project No. 6 to Be Allowed To Wither and Die.

Then followed a dispatch under a Washington date line telling of the terrible economic crime that was to be committed.

(Continued on page 30)



STRAIGHT LINE METHODS

## A Nation's Appeal for Facts and Figures

EXPERTS of the Economic Advisory Committee, Manufacturers Division, of the National Conference on Unemployment find that:—

"One of the chief causes of the present industrial depression is the business man's lack of dependable information—essential Facts and Figures bearing on his own general line." Compelled to rely on pure guess work, or arbitrary estimates, business stumbles and progress halts.

Also that Stabilization, and the avoidance of recurring industrial depressions, depend, in no small measure, on an accurate and complete knowledge of the factors affecting the business situation.

This is a nation's appeal for adequate Facts and Figures.

It is a call for a wider and more expert application of *cost accounting principles* in all lines of commercial endeavor.

Never were these principles in greater need. Never was their application more competent, more helpful, or more easily obtained.

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CLEVELAND  
BUFFALO  
PITTSBURGH  
DETROIT  
CINCINNATI

INDIANAPOLIS  
TOLEDO  
ATLANTA  
RICHMOND  
BALTIMORE

NEW ORLEANS  
DALLAS  
FORT WORTH  
HOUSTON  
DENVER

STRAIGHT LINE METHODS



The second clipping was an editorial from the same local paper. The final paragraph read:

Senators Ballson and Haydon and Representative Scarrow, men with the interests of the people of our great state always at heart, will look into the matter. This, of course, means that the report will remain simply a rumor and that the loyal employes and voters at No. 6 need not worry.

The doctor smiled as he read the clippings. Adkins was keeping in the background and punching up the congressional delegation through the local paper.

The conference with the delegation, which the doctor knew he could expect any time, would be his final test. It was really the people back in the districts, he thought, who were responsible for a great deal of the extravagance in the expenditure of government money. They had been educated up to the idea that the efficient congressman was the one clever at putting something across and getting money out of the Treasury for his district. This idea had developed, of course, when there was money in the Treasury and taxes were low.

With less money in the Treasury and taxes high the voters would probably have a different idea and we would shortly see this reflected in Congress. An uneconomic expenditure was more likely to be considered an enduring monument to a congressman's inefficiency than something to which he could "point with pride."

But the doctor decided to stop thinking about congressmen and get busy. A man, like an army, he figured, always fighting on the defensive, never won a war. He told his secretary that he was going to the solicitor's office, that if anyone called to say he would be right back.

When he returned he found the delegation, Senators Ballson and Haydon and Representative Scarrow, had arrived.

Before the party was seated, Adkins, Arnold, Calder, and even old Snowden came slipping in. Each had a paper in his hand and was ostensibly on business, but the doctor knew they were on hand to witness the fight.

"Doctor," Senator Ballson began, "this morning my colleagues and myself received a copy of a local paper carrying a story to the effect that it was proposed to discontinue the work at Project No. 6. Will you kindly tell us the facts in the case?"

"Gladly, Senator," the doctor said. "There is no truth in the report; I simply decided to postpone certain expenditures."

"What expenditures?" Representative Scarrow asked.

"Two hundred thousand dollars for additional equipment," the doctor replied. "General Dawes told us that the high taxes were hurting business and that it was our duty to economize. No harm will be done by waiting for this equipment another year."

"But it will have to be reappropriated, and that's doubtful," Scarrow said. The senators and myself helped you to get this money, Doctor Bennet. We will look after the economy end of the government; you stick to your scientific work. Isn't that your idea, Senator Ballson?"

"I would like to hear further from the doctor," Senator Ballson said.

But Scarrow was impatient. He is a little man with a high voice. "If you will pardon me, Senator," he said, rising and assuming an oratorical pose, "I would like to ask who is to decide matters of this kind. These bureau chiefs come before our committees, and after extensive hearings we make appro-

priations. Then these same bureau chiefs, acting under instructions from General Dawes, come to us and say with a high moral air, 'It is our duty to turn back into the Treasury the money you appropriated.'



Snowden stopped at the Doctor's door and listened

"I tell you, gentlemen, there is a big principle at stake here. If we love and reverence our great constitution, that palladium which places upon Congress the duty of directing the financial affairs of the government, now is the time for every patriotic congressman to come to its defense."

Senator Ballson, hiding a smile, asked, "Have you any further comments to make, Doctor?"

"Yes, Senator," the doctor replied. "The original law authorizing No. 6 was largely a war-time measure. Our solicitor is inclined to doubt that we had any legal authority to make a single expenditure at No. 6 after March 3, 1921, the date of the signing of the Joint Resolution which declared all war-time laws canceled."

Scarrow jumped to his feet. "You mean there is a possibility of the work at No. 6 being discontinued?" he asked.

"No, I wouldn't say that," the doctor replied, softly. "I haven't asked for a formal opinion yet."

Scarrow and Adkins held a whispered conference. At its conclusion Scarrow asked, "Do you intend to ask for a formal opinion, Doctor?"

"I would hesitate to approve the expenditure of this \$200,000 without asking for one," the doctor replied.

Scarrow and Adkins again talked in whispers. "Is it your idea, Doctor," Scarrow asked, when the whispering was over, "that if the \$200,000 was reappropriated later the legal point would be cleared up?"

"Yes," the doctor replied.

"Well, of course, that puts an entirely different light on the subject," Scarrow said. "As a matter of fact, none of us understood exactly what the doctor had to contend with. As I understand the matter now there will be no discontinuance of the work at No. 6. Not a single employe will lose his position. Is that correct, Doctor?"

"That's correct," the doctor replied.

"Then I entirely approve the doctor's course," Scarrow said, "and I'm sure the senators do also."

The conference was over. Snowden opened the door. As Senator Ballson shook hands with the doctor he whispered, "Stick to your guns, Doc, and if you need help, call on me."

## Taking the Mystery Out of Banking

A HIGH SCHOOL student presented a check not long since to a bank teller for payment and was told "Please endorse it." After hesitating and showing considerable embarrassment, he inquired, "Just what is it that you wish me to do?"

It seems incomprehensible that a young man of eighteen should be so unfamiliar with simple business procedure and ordinary banking routine.

On December 19, a United States senator is reported to have said, "Today the Federal Reserve Board holds its foot upon the neck of the grain industry, the cattle industry, the cotton industry and other industries of the United States, while Wall Street and Chicago look on and applaud."

The lack of understanding is not more regrettable on the part of the student than on the part of the United States senator.

Few people have an elementary knowledge of banks and their functions; not one in a hundred has the slightest conception of the meaning of the statements which the law requires the banks to publish for their benefit; few understand the difference between National, State, the Savings Banks and Trust Companies, and the functions of each; what a deposit is and how it should be safeguarded; what reserves are and how and why maintained; what are the essentials of a good investment. Few bank customers have more than slight knowledge of the working of economic laws and are, therefore, bewildered by the economic problems confronting us today.

It is to meet this situation that an educational campaign, now being conducted by the American Bankers' Association, through its Committee on Public Education, of which Mr. John H. Puelicher, of Milwaukee, is chairman, has arranged a series of lectures to the student body of our educational institutions, beginning with the seventh and eighth grades in the public schools. Its purpose is to take the "mystery" out of banking and explain in a clear and understandable way just that a bank is, what services it performs and its place in the economic life of the nation.



FROM DEMOLITION TO OCCUPANCY IN NINE AND ONE HALF MONTHS



## A Record in Construction

THE completion of this building for the Citizens Trust Company of Terre Haute, Indiana, in nine and one half months establishes, as far as we know, a record for such a performance. This nine and one-half months' period includes the time required to demolish the buildings previously on the site; construct the twelve story, skeleton steel, fireproof building; install all banking equipment; complete the decorations and furnishings; and deliver the building with all mechanical equipment in operation.

We believe such a record was made possible by the fact that we have combined in one organization an architectural department which prepares all designs; a purchasing department which insures prompt deliveries; and a construction department, with trained superintendents, which works in close coordination with the two other departments.

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## The apple that never was picked

**N**OW that the winds of winter have bared the trees and their limbs make silhouettes against the sky, if you walk into the country you may see it—the apple that never was picked. Withered and shrunken, its bloom departed, it hangs upon a barren branch—a derelict of nature.

In the autumn the tree was heavy with fruit. The schoolboy took his toll, picking the apples that were nearest, or climbing the sturdy trunk to capture the prize that looked the biggest and the best. Then the farmer came with his pickers, his baskets, his ladders, and limb by limb the tree was stripped.

Yet deep in the foliage there remained one apple. The sun had reached in and colored it a bright and beautiful red. It was cool and plump and rich with juice—an apple to desire. But none desired it because none saw it. Hanging upon an obscure branch, it was hidden from the view of pilferers and pickers alike—and they passed it by.

The apple that never was picked is a cousin of the product that is not known. If you go into a store at inventory time, you will find

this product there on the shelves, its brightness dulled by the dust of the months, its freshness faded by long waiting for a buyer. Since its coming the shelves of the merchant have emptied and filled and emptied and filled again, but the product that is not known still lingers and languishes—a derelict of trade.

Nature willed that the apple that never was picked should grow upon an obscure limb behind a screen of foliage. It had no voice to call out that it was there. It had no words to proclaim its ripe sweetness.

Consider now the product. It could have spoken its name in the very ears of the people as they sat in their homes. It could have made that name instantly familiar to the shopper who scans the windows of merchants. It could have told in stirring words the story of its goodness. It could have created *desire* and the *will to buy*.

For there is a voice that speaks the merits of worthy products to the minds of the people—a voice that is heard 'round the world—the voice of advertising.

**N. W. AYER & SON, ADVERTISING HEADQUARTERS**  
 NEW YORK BOSTON PHILADELPHIA CLEVELAND CHICAGO





## Your Check Is Good if Made Like This

[I]t is good for an authoritative survey of the price prospect for any one of 15 great basic commodities.

Anybody can guess. But basing your predictions on the facts at hand, can you tell

### What's Ahead for Your Business This Year?

In view of uncertain conditions in many lines, we have dug deep into fundamentals. We have analyzed in

### Standard Daily Trade Service

"A Condensed Survey and Forecast of Business Everywhere,"

the outlook for the 15 basic products listed below. Clip out the list, check the one you are most interested in, and mail to us attached to your letterhead. The analysis will be sent to you without charge.

#### Check the One You Want:

Iron and Steel	Silk
Petroleum	Wheat
Copper	Corn
Lead	Cotton
Zinc	Wool
Rubber	Paper and Pulp
Hides and Leather	Coal
Sugar	

As our supply of these analyses is limited, they will be sent only to those using their business stationery. And do it today.

## Standard Statistics Company, Inc.

47 West Street

New York City

petition. The fortunes of the growing winter wheat crop hang largely upon needed moisture in the southwest and the west from the Texas Panhandle to Nebraska. At this writing, in such sections where it is too dry, the plant is in poor condition to face the wintry blasts.

In constructive ways the Department of Agriculture more than justifies its existence each year and returns a handsome profit on its investment in the wealth it adds to the farming world. An 8-ounce package of the seed of Sudan grass from far-away Africa has multiplied in ten years into an annual crop of forage of about \$10,000,000, and its popularity still increases on the thirsty, wind-swept plains of the Great Plains States, where less hardy plants wither and die under the brazen skies and scorching heats of summer days.

Lead, zinc and copper have taken heart because of better demand and some consequent stiffening in price.

Activity in oil is growing, and recent rains in portions of the southwest made possible the resumption of drilling in more generous fashion. Of all commodities, oil has the least need to take thought of the morrow, for, as regards the future, its calling and election are as sure as that of any mythical saint who never existed. Mathematically stated, it has in time the certainty of a demand increasing in geometrical ratio to be met by only a possible supply at its present rate of going.

Lumber shipments in December stacked up very well and paper mills were fairly busy. Industrial activity, in general, moves at slow pace, and the persistent prophets of "near" prosperity are having a hard time holding on to their dwindling reputations.

### The Nation's Business Observatory

THE DECISION of the United States Supreme Court in the hardwood lumber case, following closely on that of the Circuit Court in the linseed crushers and the Armstrong Bureau, has set the trade associations to wondering where they stand—what they may and may not do, although, as explained elsewhere in this issue of THE NATION'S BUSINESS, its effect is limited.

The American Hardwood Manufacturers' Association, as most immediately affected, have, according to the *American Lumberman*, two plans:

One is to ask for a reopening of the case on the ground of alleged errors in the conclusions drawn by the court from the record as written in this case, and the other is to cooperate with Secretary Hoover, of the Department of Commerce, in gathering and disseminating information regarding stocks, production and prices.

It is pointed out that application for a reopening of such a case on the grounds set forth is not at all unusual. In connection with the plan of cooperating with Mr. Hoover, it is suggested that less resistance may be encountered in falling in line with the movement for the compilation and dissemination of the basic facts of the industry originated by him than would be met in attempting to work this proposition out as an organization.

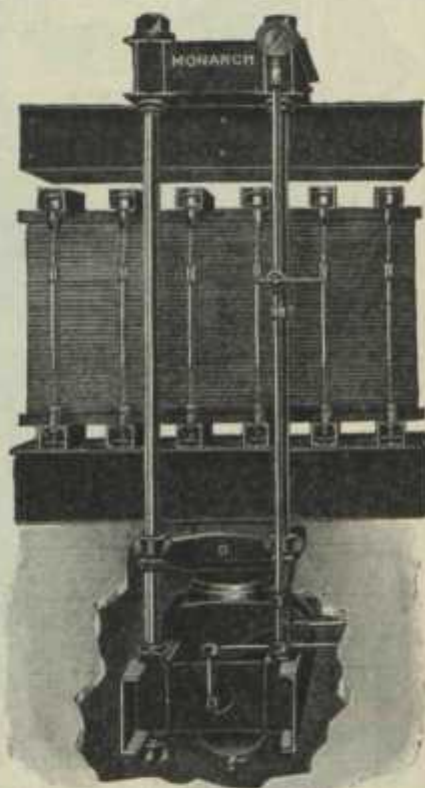
It is quite generally agreed that if the decision, as seems clear from a reading thereof, bans exchange of trade information on the part of those engaged in the same industry, the real remedy lies in changing the Sherman law through congressional action.

Gloomy, indeed, is the view of the *Southern Lumberman*, which also wants the law changed.

Clearly the Sherman Act has outlived its use-

## FARQUHAR

We make a specialty of portable steam power—the Ajax Center Crank Engine with Locomotive Boiler for coal and our wide reputed Cornish Boiler for wood. Also a line of Vertical and Stationary Boilers and Engines. Other Farquhar products include Steam and Gas Tractors, Sawmills, Threshers and Farm Implements.



OUR STANDARD TYPE VENEER PRESS

Illustration shows our standard Hydraulic Veneer Press which is built in six sizes. We also make Cider Presses and Special Presses, such as Hot Plate, Vulcanizing, Fibre, Trunk, Die, Curb, etc., to suit individual requirements. Hydraulic Pumps and Operating Valves.

We are always glad to figure on special work in our Machine Shop, Boiler Shop, Smith Shop, Carpenter Shop and Grey Iron Foundry.

Write us concerning your requirements

A. B. FARQUHAR CO., Ltd.  
Box 182 York, Pa.



fulness. Business men of all sorts and conditions, all over the country, should immediately unite in an insistent demand on Congress that its destructive powers be annulled, and that it be replaced with a sane piece of legislation which will duly protect the public from the rapacities of monopolistic combinations but will at the same time place no blight on the co-operative efforts of law-abiding men who want to go about their business in full possession of the essential facts concerning their industry instead of groping in the darkness of industrial ignorance.

How does the decision fit in with the desire of the Department of Commerce to gather statistics through the trade associations? Is the government encouraging through one agency the very things it declares unlawful? That point is raised by the *Textile World*:

Where the open price plan has been adopted in the textile trade and where organizations have continued under this plan, utmost caution has been used to eliminate all effort for or appearance of combined action.

Furthermore, they have taken the precaution to make public their findings, especially with regard to production reports and statistics of the industry. In this activity they have been encouraged by the executive department of the government interested in the development of business and herein lies the inconsistency of the recent decision. It would appear absurd that this department should use its best endeavors to secure statistical information regarding the status of various industries with a view to eliminating undue overproduction and violent price changes when another department declares such a policy and practice illegal.

One sentence in the decision throws light on this question. The court referred to a contention that the hardwood association was merely giving the widely scattered units of an industry such information "as is contained in the newspaper and Government publications with respect to the market for commodities sold in boards of trade or stock exchanges." The answer, the court says, is:

One distinguishing and sufficient difference is that the published reports go to both seller and buyer, but these reports go to the seller only.

This moves *Engineering News Record* to say:

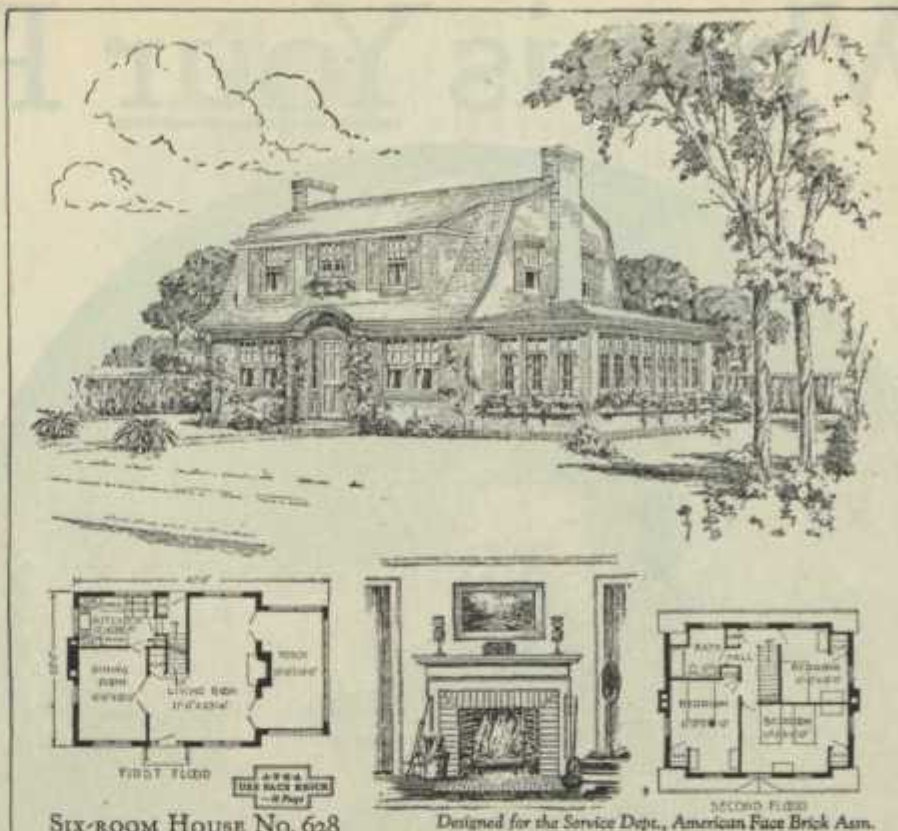
In this view, we believe, there is hearty public concurrence.

Moreover, even if the present method of exchange of price information should be found lawful, we are not convinced that it will always, or even for long, remain so. The public is firm in its determination to protect the records of individual businesses but it has not the same feeling toward associations, particularly toward those that are known to deal with prices.

The war increases were, in part, responsible for this; but the suspicion and condemnation have become more serious on account of disclosures of collusive acts of trade associations in the building-materials field. Is it not possible that this feeling will make itself felt in legislative halls, with the result that the publication of all figures collected by associations may be forced by law? In fact, will it not be fortunate if the people do not go to severely restrictive measures? The railroads followed a "public be damned" policy, and the public put them under drastic regulation.

The National Coal Association has asked its general counsel, Rush C. Butler, for his opinion. Mr. Butler listed these twelve things which the Hardwood Association did and which seem to have led it into trouble:

1. Advising its members to curtail production.
2. Urging cooperative competition.
3. Requiring the furnishing of price lists with prompt notification of changes therein.
4. Requiring the secretary to send to each



SIX-ROOM HOUSE No. 628

Designed for the Service Dept., American Face Brick Assn.

This splendid example of the justly popular Gambrel Roof Colonial House is one of the designs in our "Face Brick Bungalow and Small House Plans." The sun porch, the large living room and the simple, well-ventilated bedrooms are especially worthy of note.

## Beautiful, Enduring Homes

THE recollection of an attractive home is one of the richest legacies you can hand on to your children. And if it is an enduring Face Brick house it will remain a living inspiration to them and their children.

The abiding charm of the Face Brick house is not a matter of size and cost. The simple cottage can in its way be as attractive as the magnificent mansion. The economic advantages are as definite. The Face Brick house will last for generations, requires no repairs and but little painting around doors and windows, and lessens fuel costs and insurance rates. It combines beauty, durability and economy as can no other material.

These matters, as well as comparative costs of various building materials, are fully discussed in "The Story of Brick," an artistic booklet with numerous illustrations and much helpful information for all who intend to build. Sent free.

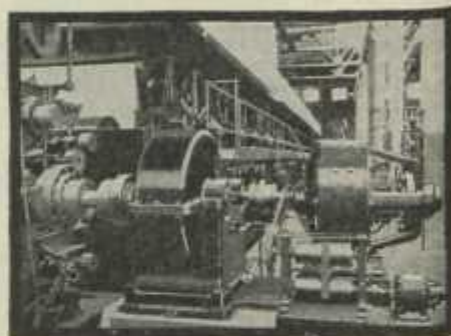
"Face Brick Bungalow and Small House Plans" are issued in four booklets, showing 3 to 4-room houses, 5-room houses, 6-room houses, and 7 to 8-room houses, in all ninety-two, each reversible with a different exterior design. These designs are unusual and distinctive, combined with convenient interiors and economical construction. The entire set for one dollar. Any one of the booklets, 25 cents.

We have the complete working drawings, specifications and masonry quantity estimates at nominal prices. Select from the booklets the designs you like best and order the plans, even if you are not going to build now, for their study will be not only interesting and instructive, but helpful in formulating your future plans for a home.

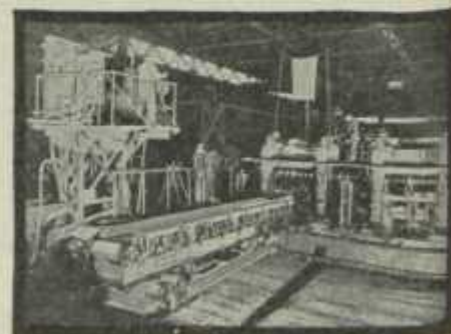
You may want "The Home of Beauty," fifty designs, mostly two stories, representing a wide variety of architectural styles and floor plans. Sent for 50 cents. We also distribute complete working drawings, specifications and quantity estimates for these houses at nominal prices. Address, American Face Brick Association, 1130 Westminster Building, Chicago, Illinois.



# What is Your Problem?



Automatic control for Paper Machine. Produces 800 feet of paper 154 inches wide, per minute, or 70 tons per day.



Automatic control on Bar Mill. Automatic control has made possible the handling of heavy steel bars easily, cheaply and rapidly.



800 horse power hoist motor handling cars of coal on one of the longest slopes in the Pennsylvania Bituminous Mines.



Movable car dumper discharging grain. This operation takes one man ten minutes. It used to take eight to ten men twenty minutes.

## Westinghouse Control Will Make a Motor Do Anything

Some of the most useful and ingenious electrical developments are possible only because of the control apparatus that applies to them the final touch of effectiveness.

Consider how the almost boundless energy that electricity provides is but a savage torrent of power until it is directed and skillfully utilized by the devices that direct it into the desired uses. Imagine the knowledge of conditions, of mechanical requirements, of operating problems, and of men, that must be brought to bear on the design and development of apparatus for the efficient control of motors and other electrical machines, and you will see why it is that Westinghouse has for years applied the special talents and experience of great engineers to the solution of this important question.

So many remarkable and reliable devices for

control purposes are now available, that it does not seem too much to say that Westinghouse Control will make a motor do anything that lies within the range of its capacity. And there are undoubtedly many instances where regular or special control apparatus will add measurably to the usefulness of motor equipment that may already seem to be quite satisfactory.

Westinghouse invites inquiries from manufacturers or others to whom any aspect of this question may be interesting. Whether improved control promises to bring better efficiency, more production, lowered labor costs, more reliable operation, greater safety, or whatever, Westinghouse engineers will gladly assist you in gaining the results you should have.

Perhaps there is a control Problem in your plant of which you are not aware.

WESTINGHOUSE ELECTRIC & MANUFACTURING COMPANY  
Offices in all Principal Cities • Representatives Everywhere

# Westinghouse

ELECTRIC MOTORS AND CONTROLLERS



member full details of all sales by all other members, giving the names of purchasers.

5. Issuing market reports which dealt not only with past and closed transactions, but also dealt with the future, discouraged cutting prices and encouraged maintaining or increasing prices.

6. Holding meetings, "approximately one for each week, in some part of the territory," at which increase in production was discouraged.

7. Sending questionnaires to members before meetings.

8. Reporting the views of members as to "market conditions for the next few months."

9. Analyzing its market reports by an expert with "significant suggestions as to both future prices and production."

10. Submitting the members' books to the discretionary audit and their stocks to the discretionary inspection of their rivals.

11. Sending published reports to sellers only.

12. Engaging a skilled interpreter of the published reports "to insistently recommend harmony of action."

Mr. Butler reaches this conclusion as to what coal associations may do:

My opinion as to the right of coal associations to gather information concerning costs, prices and production as to past and closed transactions in accordance with the plan upon which most of the local coal associations are organized is unchanged.

The associations may continue to enjoy that right as long as it is not used by the members for the purpose or with the effect of unduly restricting production or enhancing prices.

### Rival Metals Compete for Markets in a Neutral Zone

**THE Engineering Mining Journal** in a recent editorial article sees the metals as rivals for markets in a neutral zone where more than one metal might serve a purpose. Says the *Journal*:

In the December issue of **THE NATION'S BUSINESS** is a prominent advertisement of a steel manufacturer in which two illustrations are displayed of metal housings such as one finds covering gears. One of these illustrations shows a pressed-steel housing, and the other is ostensibly made of aluminum. Above these photographs is the caption "Press It From Steel Instead," and below "Pressed Steel Saves 33 1-3 Per Cent," followed by the claim that a saving of 33 1-3 per cent in cost was made by the substitution of pressed steel for the use of aluminum in this particular application of the metal.

This is an interesting sidelight on the keen competition that is going on among the metals, for which violently fluctuating markets and the destruction of normal price relations between them is responsible.

All the metals have fields which they occupy to the exclusion of others. Thus, copper is par excellence the metal for armature windings, iron for stoves, and aluminum when lightness is essential, as in airplane construction. Then there is a twilight zone in which competition will naturally be keen. A good illustration is the electrical transmission field, in which both copper and aluminum are used. With copper selling for 13.75 cents and aluminum for 17 cents the lighter metal has a decided advantage, as whenever the price of aluminum is less than twice as much as that of copper it is more economical from a conductivity standpoint to use aluminum.

An advertisement similar to the one noted above is an excellent reminder of the race between the metals for enlarged markets. May the best one win!

### The German Potash Contract a Crime or a Blessing?

**GERMANY'S** chemical industries have declared war upon the chemical industries of the United States. The German potash



## Is Everything Locked?

That last searching look you take about the office to see that everything is locked before leaving is "playing safe."

Thousands of business men now "play safe" day and night by issuing checks positively protected against fraudulent alteration. They are called "Super-Safety Insured Bank Checks."

As a **POSITIVE** protection, every bank depositor using them is given a \$1,000.00 Insurance Policy protecting every check against fraudulent alteration.

This insurance makes Super-Safety Insured Bank Checks the safest and best way of paying money.

Thousands of banks now provide this positive protection for their depositors' funds, without charge. Ask your bank for a supply so that you may enjoy this safety.

\$1,000.00 of check insurance against fraudulent alterations, issued without charge, covers each user against loss.

LOOK FOR THE EAGLE DESIGN ON EVERY CHECK YOU SIGN  
Protected by individual bonds of The American Guaranty Company. These checks are the safest you can use.



## The Bankers Supply Company

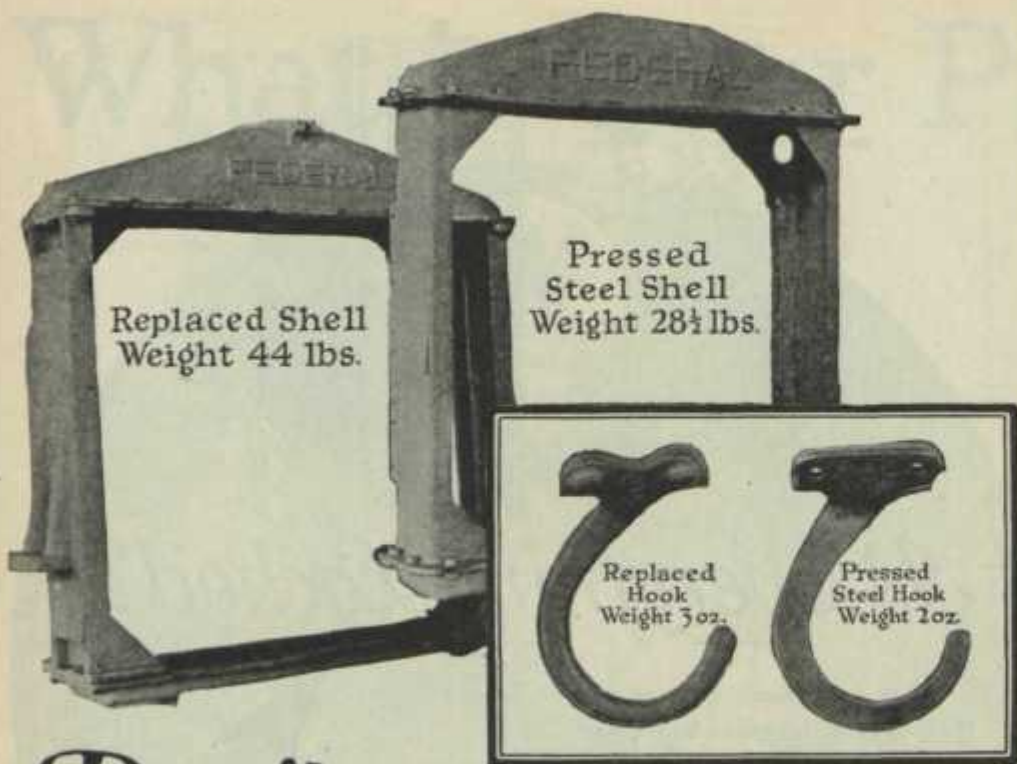
The Largest Manufacturers of Bank Checks in the World

NEW YORK  
ATLANTA

CHICAGO  
DES MOINES

DENVER  
SAN FRANCISCO





Don't  
stop at  
size/

PERHAPS you think because you use only large parts, that small parts can't be "pressed from steel instead" with equal savings. A glance at the illustrations may change your mind. The pressed steel radiator frame shows a saving of 35% in weight. The small pressed steel hook saved 33 1/3% in weight over the malleable hook. In quantity production, both parts brought real savings in weight and cost to the manufacturers for whom we did the work.

If you are using any cast parts, don't stop at size. Send us a sample blue print of the parts in question and we will gladly tell you whether or not you can make a saving with a pressed steel part. We have made thousands of redevelopments from a few ounces up to 200 pounds—the parts you use surely fall somewhere between.

"Press it from Steel Instead"

monopoly has already captured the potash industry of this country. It aims to destroy, root and branch, the potash producers of the United States. It has already received aid and comfort from thirty-four big American concerns. These concerns dominate the potash markets of the United States. If this unholy alliance is tolerated without protest, then no line of industry in the United States is safe from foreign conquest.

This is an extract from a speech by Dr. John E. Teeple, president of the New York section of the American Chemical Society. He was describing a contract "framed," said he, "with the devil's own ingenuity to evade all existing American laws, including the Anti-Dumping Act and the Sherman Anti-Trust law."

The contract which aroused the doctor's anger was one between the German potash syndicate and thirty-four American fertilizer firms which deal in potash. The American firms are to buy not less than 75 per cent of their requirements from the German syndicate with the result, says Dr. Teeple, that "the American potash producing plants have been to all intents and purposes already destroyed and closed down."

Some statements on the other side may be worth balancing with Dr. Teeple's charges. In the course of a thoughtful analysis of the potash situation, G. G. Wilson, president of the Virginia-Carolina Chemical Company, says that the contract with the Germans and that made later with the French was "a business affair. . . . The thirty-four companies required certain quantities of potash; the Germans had it for sale. The parties reached an understanding, not an unholy alliance."

Of the American potash industry, Mr. Wilson says:

That they (the thirty-four fertilizer companies) have "betrayed" the American potash industry "just as it was getting on its feet and within a short period would have been able to meet the competition of the world" separates itself into two parts. No one has been betrayed. A "betrayal" implies that the thirty-four fertilizer companies had in some manner or form previously obligated themselves to the American potash producers to a course of conduct which has been departed from in a manner and under circumstances that convicts the thirty-four companies to a moral infraction. The thirty-four companies could never have obligated themselves to the American potash producers to purchase their requirements of potash from them for the simple reason that the American producers never had those requirements for sale and do not now possess them. Much of the potash salts purchased from the Germans and the French is of a form that is not now and never has been produced by the American potash makers. It is not improbable that the statement of Dr. Teeple that the "American potash industry was just getting on its feet and within a short period would have been able to meet the competition of the world" came as much a surprise to a good many American potash producers themselves as to members of the fertilizer fraternity of the country.

Charles H. MacDowell, president of the Armour Fertilizer Works, puts the case for the fertilizer distributors this way:

The writer, with some colleagues, developed the first potash mine in the United States at Marysvale, Utah. This plant made a very pure sulphate of potash. It was of great value during the war, not only in agriculture but in chemical production. This plant has been shut down for some time and naturally will not be started up again as long as a sufficiently good sulphate of potash can be secured from Germany at much less than the cost of producing and shipping from Utah.

Facts are facts, and merchants will buy in

We have a series of folders showing some of the interesting—and profitable—redevelopments we have made for many manufacturers. We'll gladly send them to you on request. Address Engineering Department.

YOUNGSTOWN PRODUCTS FOR MANUFACTURER & BUILDER

AGRICULTURAL TOOL & WEIGHT BOXES - SEATE LEVER LATCHES - FURROW & CONG WHEELS BARROW WHEELS - CLANDIN GEORATOR SHEETS LAND ROLLERS, BRIDGE	AUTOMOTIVE RADIATOR SHEETS - CRANK CASES HOUSING COVERS - BRAKE DRUMS CLUTCH DISCS - STEER HANGERS HUB FLANGES	GENERAL LEFT TRUCK PLATFORMS - TANK HEADS INDUSTRIAL CAR WHEELS - WHEEL DISCS HATCH CLEATS - BARREL HEADS COMPOUND BOXES	FIREPROOFING MAKING GRADE FACTORY BUILDING MATERIAL AND FLOORING - ANGLES - RAILS - LATHES - SHEET IRON - STEEL - WELLS - TUBES - PIPE - COUPLERS - FITTINGS MANHOLE COVERS & HOLES - METAL LATH
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THE YOUNGSTOWN PRESSED STEEL COMPANY

Youngstown  
PRODUCTS

MAIN OFFICE AND FACTORY  
WARREN, OHIO  
DISTRICT OFFICES  
New York—50 East 42nd Street  
Chicago—230 South State Street



the lowest markets. The farmer certainly needs all the help he can get in the coming year in the way of low-priced potash. If an American potash industry is to be developed, it will naturally have to be a rather slow development and along sound, economic lines. The fertilizer industry would welcome such a development. It seems to me it would have left itself open to proper criticism if it had not bought from the Germans and the French the standard grades of potash at the unexpectedly low price it was offered to them. Further, the credits established through these purchases give the countries selling the product a further power to buy cotton and other field products grown by the American farmer.

J. R. Chamberlain of the Caraleigh Phosphate and Fertilizer Works of Raleigh, N. C., says the German syndicate is not selling at a loss as Dr. Teeple charged, and that prices are practically the same as before the war. Another point he raises is this:

The agriculture of the southern states, all of it, adjacent to the Gulf and the Atlantic Ocean, is a large consuming territory for potash in the United States. We have received potash through the port of Wilmington in shipment to Raleigh where the rail freight from Wilmington was more than the ocean freight from Germany to Wilmington. We are, therefore, obliged to consider the ocean rates as compared with rail rates in the distribution of potash in the United States.

Here is a view of what potash protection would mean as F. W. Tunnell, president of F. W. Tunnell and Company, sees it:

On the total quantities of potash handled by the fertilizer industry, the tariff would run well into the millions and would be indirectly collected from the agricultural community, and in turn from those to whom their produce is sold. Both the farmers and the public have protested vigorously against the imposition of this tax. We have been, and still are, neutral in the matter. If the legislators are willing to pass this tax burden on to the public, we will finance our share of same with a possible chance that, in the future, production of potash on a large scale may be an established fact in this country.

Robert S. Bradley, chairman of the Board of the American Agricultural Chemical Company, writes:

The potash deposits of Germany and Alsace are enormous and may fairly be termed inexhaustible. Potash is found in all these mines in the form of actual potash salts. No such deposits have ever been discovered in this country, and until they are, there will, in my opinion, be no important potash industry developed in the United States that can compete successfully with foreign potash. If the Government is willing to impose a heavy import tariff upon foreign potash (which would fall ultimately upon the farmers), the American potash industry might be given a new lease of life for a time, but even then it could not compete successfully with the foreign producers. From the above data you can judge how great such a tariff would have to be to adequately protect the American producers, bearing in mind the fact that these producers would not be able to furnish all the grades of potash that we actually require in our business.

### Sending Coals to Newcastle

#### Turned the Other Way 'Round

THE AMERICAN market has been invaded by British coal, and Secretary Hoover proposes that the railroads serving the Atlantic seaboard cut their coal rates. To quote the *Coal Trade Journal*:

Not so many months ago we were boasting that we were literally carrying coals to Newcastle. In the offers of British coals for sale on our own eastern seaboard, our English



## Bridging The Gap

FOR over two decades, every manufacturer who required drills has had a choice between high speed and carbon drills.

It was common knowledge that in a great number of shops neither drill was entirely satisfactory. Carbon Drills would not give sufficient production and yet these shops were not properly equipped to realize full efficiency from High Speed Drills, and consequently could not use these drills except at excessive cost.

We knew that there was a great demand for a drill to meet the requirements of these shops. But with the great press of business during the war we were unable to turn our attention to this problem.

Since that time, however, we have been experimenting and are now ready to present to the drill users of the Country a new drill—a "Cleveland" drill—a drill which has been tested and retested.

# MEZZO

"Mezzo" is a great step forward—the greatest in twenty years.

This drill performs best at speeds and feeds which would soon burn the point of a Carbon Drill, and at these speeds and feeds the drilling capacity of "Mezzo" is astonishing.

Heating the cutting edge of "Mezzo" even to a dark blue color will not draw its temper. In fact "Mezzo"

works at its best efficiency this way.

The Gap has been bridged, "Mezzo" gives big production and still is adapted to those shops which can not use High Speed Drills economically. And "Mezzo" sells at a moderate price.

Write for the "Story of Mezzo." It is a most interesting little booklet which gives full information on "Mezzo" and its uses.

The **CLEVELAND** **TWIST DRILL COMPANY**  
CLEVELAND  
NEW YORK - CHICAGO - LONDON  
TRADE MARK REG. IN U. S. AND FOREIGN COUNTRIES



# Profits are Essential

It is to the advantage of society that business as a whole shall be profitable.

The great industries, the railroads and public utilities, which are the framework of national well-being, could never have been created under conditions unfavorable to reasonable returns.

Profit is the wage of service—the spur to endeavor—an objective of practically every material development of civilization.

Good profits mean good service and prosperity—poor profits presage unemployment, hard times and business mortality.

Our progress towards better times depends upon the general acceptance of the truism that business is worthy of its hire. To deny reasonable earnings to industries, railroads or public service corporations is to deny their usefulness or right to existence.

An important function of the National Bank of Commerce in New York is to aid legitimate business to earn a profit commensurate with the value and importance of its service.

## National Bank of Commerce in New York

Capital, Surplus and Undivided Profits  
Sixty Million Dollars



cousins may enjoy a highly flavored revenge—and we can't even use a coal strike as an alibi.

*The Mining Congress Journal* gives this summing up of factors which make British imports possible:

The British coal was actually sold at Boston for \$5.25 a ton, while Pocahontas coal of similar grade demanded \$5.60. British producers have been underbidding Americans in the West Indies with disturbing frequency.

Although some officials view the British importations at exceedingly low prices merely as efforts on the part of the British producers to build up business by carrying the commercial battle at a loss "into the enemy's country," there is a widespread opinion that this country's coal trade is in danger of losing a market which it has held for twenty years, that of bunkering vessels leaving our ports to cross the Atlantic.

What has been happening to our foreign markets is told by *Coal Age* in this fashion:

Week by week for three or more months the volume of cargo coal for offshore has been dwindling, in part because abroad as here, consumption of coal and demand are low, but largely because Great Britain has been underbidding us.

To meet this competition, which threatens not trade born of the war but business established ten or more years ago, the coal operators have cut mine prices to the bare bone. Ocean freights in foreign-flag boats can be had below cost; there remains but the railroad freight to tidewater that is still on a high perch. From \$1.40 pre-war to \$2.80 now, the rail rate on a gross ton of coal from the Smokeless fields to Hampton Roads stands doubled. It is to lower this rate by at least \$1 that the Government and coal operators are pressing the railroads.

The *Journal* quoted above has one little suggestion about the danger of monkeying with freight rates to aid one branch of one industry:

To reduce the generalities of the case to the specific assume that the Norfolk & Western, the Chesapeake & Ohio and the Virginian railroads, for example, cut their rates from the West Virginia fields to the Virginia loading piers to \$1.80 gross per ton on smokeless coal when moving to foreign destinations. Would New England, which is no mean consumer of this same coal, be content to pay the existing rate to tidewater? Would there not go up a mighty demand from practically every consumer of rail-and-water coal in that section for a reduction in rates equivalent to that accorded to export traffic?

### In the Tangle of Tax Bills

**S**IMPLICITY does not yet characterize our new revenue bill. In point of fact, revenue laws seem destined to cause disappointment on this score. After listening to arguments over a passage in the first of our present series of income-tax laws, the Act of 1913, the Supreme Court commented upon the confusion in the lawyers' suggestions and exclaimed "And this in resolution of a statute which concerns the activities of men and intended, it might be supposed, to be without perplexities and readily solvable by the offhand conceptions of those to whom it was addressed."

**T**HE article by William Butterworth in our January number, dealing with high railroad wages as a factor in high rates, stated that the freight rate on a carload of corn to Chicago from a Springfield, Ill., farmer was \$32 in 1913. It should have said that this was the rate on enough corn to buy the four agricultural implements Mr. Butterworth was discussing.



S.H.

## Green Stamps

Builders of Cash  
Business and Friends

Little time and few words need be wasted on the value of cash trade.

Its importance is known, and the part it plays in the successful conduct of any business thoroughly understood.

How to gain and hold cash business, however, is quite another problem. Cash patronage is drifting patronage. Those who pay as they go, go where they want to.

With price, merchandise and service the same the cash customer is buying here today, across the street tomorrow, and 'round the corner the rest of the week.

Thousands of wise merchants have found that the S.H. Green Stamp, issued as a discount for cash, will not only bring cash customers in, but bring 'em back. During the past year, a year when cash sales were at a decidedly low ebb, the S.H. Green Stamp was living up to its reputation for getting coin on the counter.

To the merchant seeking a tried and true plan for building steady cash business the Sperry Service offers the method with a pull that is steady and sure.

The little S.H. Green Stamp is the sales book's right-hand partner.

THE SPERRY & HUTCHINSON CO.  
114 Fifth Avenue  
New York

## Log of Organized Business

THE railroad situation and what should be done about it from the business standpoint will be considered at a meeting of the National Council of the Chamber of Commerce of the United States to be held in Washington February 8 and 9.

The Council is made up of one representative each from the 1,400 business organizations within the membership of the Chamber.

Some business men who have followed closely the railroad situation since the roads were turned back to private control, see a drift towards government ownership and operation unless there can be worked out some plan by which the roads can be put on a self-supporting basis. The Chamber's Railroad Committee is of the opinion that the Transportation Act can be left untouched and at the same time there can be worked out a constructive plan which will help solve the problem. It will prepare a report to be presented at the Council meeting suggesting a program for dealing with the situation. This report when completed will propose means for keeping the national interest in adequate transportation foremost in all measures which may be taken in relation to transportation.

A new nominating system for directors of the Chamber adopted by referendum vote that closed on January 10 also will be a subject for discussion at the Council meeting.

The meeting of the Council will take up also principles for a change to the metric system of measurement. It will receive a report from a Committee which goes into arguments for and against the metric standard and it will decide whether the subject is one to go to a referendum of the Chamber's membership.

## To Vote on the Bonus

IT has been evident for some time that the public's conception of the so-called "bonus bill" is that it calls for a cash payment exclusively. This impression has been emphasized because of the undue prominence given to the cash features of the adjusted compensation bill.

There are in fact several constructive features about this bill as it was introduced in Congress, but these are not generally known and still less generally understood.

The National Chamber has been aware that some have favored a cash bonus to the exclusion of other features, while still others have advocated giving a choice of a cash bonus, time certificate, land, home building aid or a vocational education. Attention has been strongly inclined to focus on the cash bonus alone. Advocates of both sides of every question involved have presented their respective viewpoints to the country until such knowledge as has been gained has been largely a confused idea of the real issues.

There should be a clearing of the atmosphere and a clearly defined issue as a result of Referendum 38 on Veteran Legislation, which was mailed to the 1,400 member organizations of the National Chamber on January 7. Because of this referendum there will be set before the country for the first time the principal arguments on both sides of all the proposals involved in the question of adjusted compensation, which will undoubtedly occupy the attention of Congress in the present session.

As a matter of general public interest and debate this will be one of the most important referenda ever submitted to the membership, and because of the specific treatment

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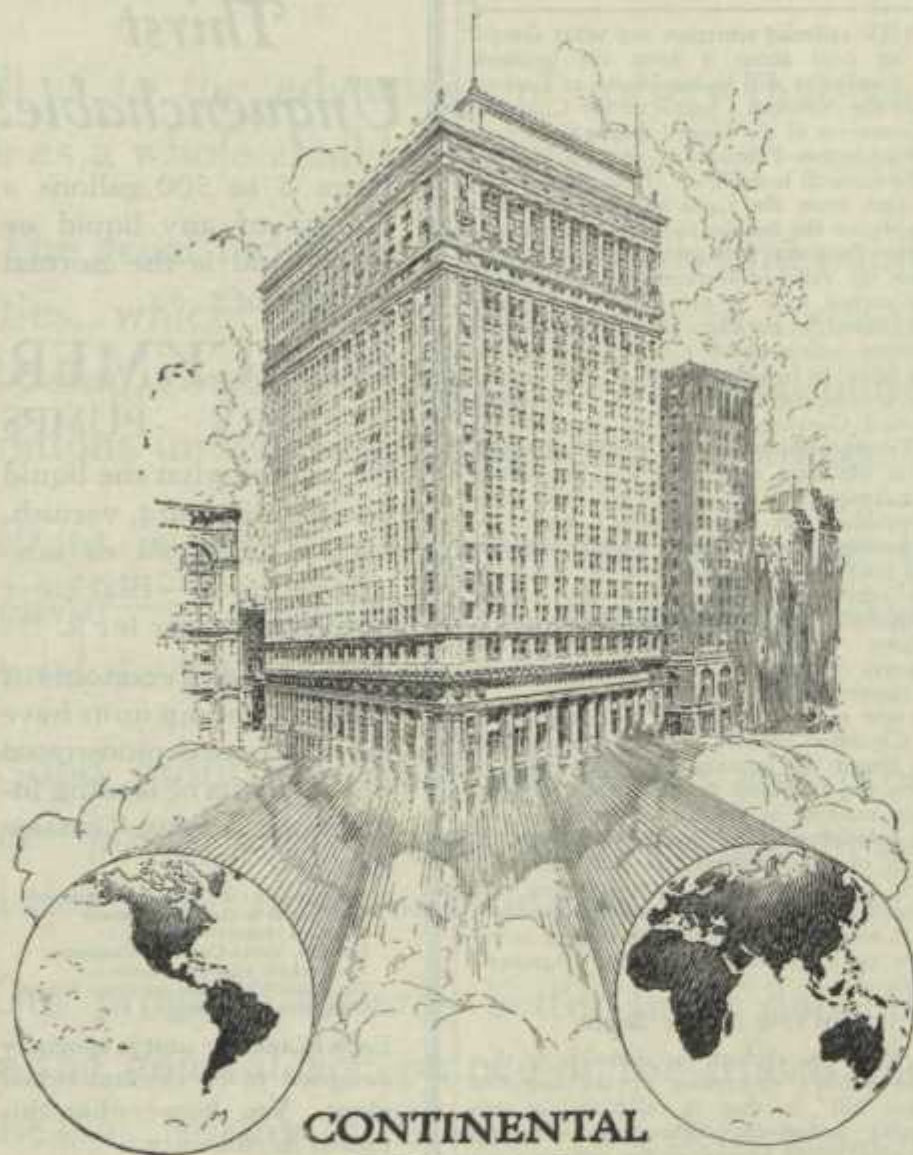
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of both sides of all the principal questions involved the referendum will be generally studied all over the country, and the result of the vote, which will be counted on February 21, will be awaited with great interest.

The questions submitted in the referendum are as follows:

Do you favor a national system of reclamation to be initiated through adequate Federal appropriations and to be carried out for the purpose of affording ex-service men opportunity to cultivate the soil?

Do you favor national legislation and appropriations to enable ex-service men to build homes?

Do you favor national legislation and appropriations to enable ex-service men to obtain vocational education?

Do you favor national legislation for a general bonus, whether paid in cash immediately or with payment deferred through use of certificates?

### First International Vote

**B**USINESS organizations in the more than twenty countries holding membership in the International Chamber of Commerce have been asked to express their opinions on the acceptability of the so-called ter Meulen plan for international credits.

The ter Meulen plan takes its name from an Amsterdam banker who first suggested it at the International Financial Conference held in Brussels in September, 1920. Sir D. Drummond Fraser, of London, was later named organizer and last March began to perfect the necessary organization.

The plan proposes the formation of an international organization through which the governments and private traders of impoverished nations, under adequate guarantees to the lenders, may secure means for the financing of their essential imports.

The world-wide ballot which is now being taken represents the first referendum of the International Chamber, which was created at Paris two years ago. Copies of the ballot have reached the Chamber of Commerce of the United States and the many other business organizations in this country which are members of the International Federation.

This is the first opportunity that the business men of the principal nations of the world have had to express themselves in this way on a subject of international importance. It is planned to make wider use of the referendum in the future as the organization of the International Chamber is perfected and expanded. The membership of the federation now includes, besides the United States and the larger nations, the smaller countries in Latin America and in the old world.

The ter Meulen plan has been endorsed by the International Chamber of Commerce in its annual meeting, World Cotton Conference, American Bankers' Association, British bankers, and the British Government.

### New Field Department Manager

**A**NDREW H. PHELPS, for several years district secretary in charge of the New York office of the National Chamber, has been appointed manager of the Field Department of the National Chamber, with headquarters at Washington, to fill the vacancy caused by the resignation of Fred N. Shepherd.

Mr. Shepherd announced his resignation in December to accept the position as executive manager of the American Bankers' Association, and took up his new duties on January 15 in New York City.

The Field Department is one of the most important departments in the National Chamber and serves as a point of personal



contact between the Chamber and its members with district offices maintained in New York, Chicago, St. Louis and San Francisco, as well as a staff of traveling field secretaries. The primary function of the department is to obtain new members and to aid in maintaining the existing membership. In announcing Mr. Phelps' appointment, the vice-president, Elliot H. Goodwin, said that it had given the executive officers of the National Chamber pleasure to be able to proceed by promotion, as they are confirmed advocates of promoting whenever practicable.

### Foreign Trade Technique

**ALTHOUGH** complete mastery of technique is necessary for success in foreign trade, it is not all that is needed, the Boston Export Round Table was told by Chauncey D. Snow, manager of the Foreign Commerce Department of the Chamber of Commerce of the United States. American business men engaged in selling abroad must have a broad knowledge, Mr. Snow declared, of foreign lands, foreign peoples and foreign affairs.

Mr. Snow urged that foreign commerce courses in the schools should be designed to meet this need of a wider acquaintance on the part of business men with affairs and conditions in other countries.

### Work for Idle Land

**AN INTENSIVE** study of the whole subject of the reclamation of waste areas is being made by a special committee appointed by the Chamber of Commerce of the United States. It is the aim of the committee to work out a national plan for the reclamation of idle lands by irrigation, drainage, dikeage and other methods.

The committee will go into the social, political and economic questions involved in the subject, giving special consideration to such questions as the drift of the population to the cities, the effect opening up new territory has upon industry, and the practicability of this method of providing lands for war veterans.

That there is great national interest in the subject is shown by the large number of petitions from all parts of the country calling upon the National Chamber to make a complete investigation.

The committee was called to meet in Chicago, January 9 and 10. Later it will hold other meetings. The committee will consider the reclamation bills before Congress and will devote its attention to the broad principles of the entire subject. At the conclusion of its investigation a report will be submitted which can be made the basis for a referendum vote of the organizations within the Chamber's membership.

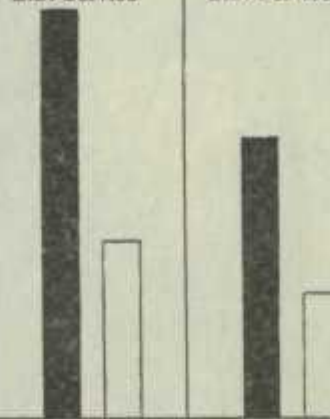
E. T. Meredith, former Secretary of Agriculture, of Des Moines, Iowa, is chairman of the committee. The other members are: Hugh P. Baker, Executive Secretary, American Paper and Pulp Association, New York; E. F. Blaine, Vice-President Seattle Chamber of Commerce, Seattle; Marshall N. Dana, Oregon Journal, Portland; Clyde C. Dawson, Attorney, Dawson & Wright, Denver; W. E. Guild, Treasurer, Finkbine Lumber Company, Jackson, Miss.; E. D. Holmes, President, Chamber of Commerce, Casper, Wyoming; Edwin L. Lobdell, Edwin L. Lobdell & Company, Investment Bankers, Chicago; Felix M. McWhirter, President, Peoples State Bank of Indianapolis, Indianapolis; Frederick H. Newell, Consulting Engineer, U. S. Reclamation Service, Washington; Walter Parker, General Manager, Association of Commerce, New Orleans; J. H. Ross, President, Exchange Supply Company, Tampa; R. E. Shepherd, General Manager,

# B



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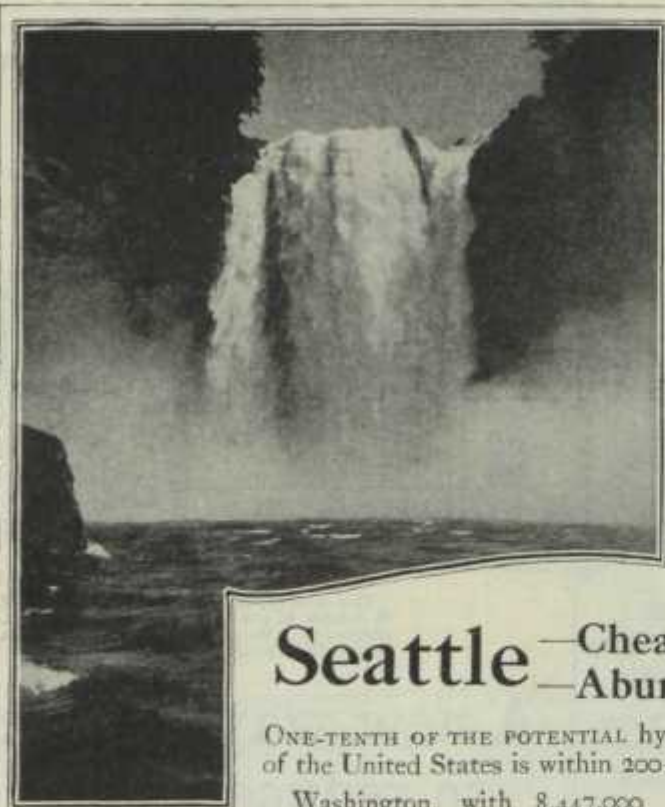
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## Seattle—Cheap Power —Abundant Coal

ONE-TENTH OF THE POTENTIAL hydro-electric power of the United States is within 200 miles of Seattle.

Washington, with 8,447,000 potential hydro-electric power, one-sixth of the nation's total, now produces seven per cent of the hydro-electric energy of the United States, standing first among states in potential and third in developed waterpower.

Cheap power, abundant raw materials, ready markets, and unmatched rail and water transportation offer numerous industrial opportunities worthy of investigation. They include:

Electric smelting and refining of Northwest copper, zinc and lead, production of general and special chemicals—acids, nitrogen compounds, chlorine, caustic soda, cyanamid, manufacture of pulp and paper from almost inexhaustible hemlock, spruce and fir forests, production of tool and alloy steels, graphite products, storage batteries, finishing enterprises like enameling, brazing, annealing, the assembling and distribution of electrical equipment and supplies.

For grinding of flax seed into linseed oil, for woolen mills using Washington, Oregon and Idaho clips, for silk mills using Oriental raw silk, and for soap factories and the manufacture of toilet and food products from Oriental vegetable oils.

In 1922, 150,000 h.p. cheap hydro-electric energy will be available in Seattle. The 1920 average rate for all industrial power consumed was 1½¢ per k.w. hour—with lower rate for quantity and off-peak contracts.

Bituminous coal mines, within 100 miles of Seattle, produce 4,000,000 tons annually, including high-grade coke.

Write the SEATTLE CHAMBER OF COMMERCE, 913 Arctic Building, Seattle, Wash., about advantages of manufacturing in Seattle.

Washington has nine times more potential hydro-electric power than the Muscle Shoals project.

Better still, spend your next vacation in the Nation's Summer Playground and investigate for yourself.



PHOTO ABOVE  
Snoqualmie Falls, 237 feet high, 28 miles from Seattle  
Photo copyrighted by Asahel Curtis

Twin Falls, North Side Land and Water Company, Jerome, Idaho.

### Maybe We're Not So Bad Off

A QUANTITY comparison of the present export trade of the United States with that of the pre-war period refutes any impression that the country's export trade has been lost and shows, in fact, considerable gains. This is brought out in an analysis of export figures made by the Foreign Commerce Department of the Chamber of Commerce of the United States.

Of the twenty exports that are of the greatest tonnage, fifteen registered increases ranging from 43 to 5,210 per cent in poundage for the first nine months of 1921, as compared with the nine months' average for the pre-war period, 1909 to 1913. Losses on the five commodities were from 5 to 32 per cent.

The following table gives the twenty commodities of the greatest tonnage (in the order of their value) and shows a comparison for nine months of the present year with nine months of last year and with nine months of the pre-war period. Increases and decreases are shown in percentages.

Commodity	1921 value	Tonnage increase or decrease as against pre-war (per cent).	Tonnage increase or decrease as against 1920.
Wheat	\$380,556,000	+ 576	+ 82
Cotton	317,165,000	+ 5	+ 6
Coal and Coke	143,938,000	+ 58	+ 25
Wheat Flour	94,809,000	+ 83	+ 20
Lard	93,454,000	+ 88	+ 60
Corn	78,064,000	+ 193	+ 81.5
Illuminating Oil	73,279,000	+ 32	+ 14
Lubricating Oil	70,051,000	+ 43	+ 33
Naphtha	53,549,000	+ 228	+ 8
Iron Pipes, etc.	31,507,000	+ 117	+ 48
Gasoline	50,235,000	+ 146	+ 28
Refined Sugar	42,962,000	+ 1,069	+ 8
Iron Sheets, etc.	41,390,000	+ 69	+ 40
Rye	39,769,000	+ 5,210	+ 43
Fuel and Gas Oil	38,674,000	+ 176	+ 13
Oil Cake and Meal	17,368,000	+ 29	+ 194
Steel Rails	16,864,000	+ 8	+ 23
Barley	16,837,000	+ 360	+ 82
Crude Petroleum	16,623,000	+ 102	+ 13
Fertilizers	12,258,000	- 31	- 41

The table shows that of the twenty commodities ten increased in tonnage during the nine months of 1921, over the same period in 1920, and ten decreased.

### All Aboard for Rio

THE Foreign Commerce Department of the National Chamber is working with representatives of the Department of State and the Department of Commerce in connection with the Centennial Exposition to be held in Rio de Janeiro in September, 1922. Definite plans for the details of American participation were necessarily delayed until the appointment of the Commissioner General and Assistant Commissioners, authorized by Congress in a resolution approved November 2, 1921. The Foreign Commerce Department is particularly concerned with securing for American manufacturers adequate facilities for the transportation and installation of their exhibits at the Centennial Exposition.

### Depreciation

PRACTICAL studies by the various industries for the purpose of ascertaining within each industry a normal rate of depreciation shown by experience on buildings, machinery, etc., which may be used as a basis for reckoning depreciation in individual plants is urged by the Fabricated Production Department of the National Chamber. Such studies have the approval of the United States Treasury Department.

It is not the purpose to create within any



industry an inflexible standard rate of depreciation for the buildings, machinery, etc., of each unit within the industry, but it is proposed to set up something that may be used as a guide to fit usual conditions, as explained in a bulletin in which the Fabricated Production Department puts forward its recommendation.

There are certain conditions affecting the wear and tear upon buildings and machinery that are similar in most of the plants within any industry, it is declared. If these uniform conditions are taken into account in arriving at depreciation rates which are to be charged, it is much easier, it is held, for members of the industry and Treasury officials to agree on rates than when no basis at all is set up.

Another advantage in establishing typical rates, to which attention is called, is that they would prove of as much or more benefit to an industry in determining the accuracy of depreciation to be included in costs as they would in making up tax statements.

"Trade associations representing a single line of industry," says the bulletin, "are particularly well fitted to take up such studies. In lines not so organized groups may be formed to perform the same function."

The Fabricated Production Department of the National Chamber has been working on this problem for some time. The announcement which it makes in its bulletin that the Treasury Department approves investigation and study along the lines suggested will be of unusual interest to business men, particularly manufacturers, who have wrestled with the question of proper rates to charge for depreciation. Manufacturers have recognized that different conditions obtain in the different industries and that depreciation is much greater in certain lines. It is clear, for instance, that depreciation on buildings used in the manufacture of steel products, foundries, etc., is greater than on buildings used, say, for the manufacture of fine textile goods.

Fuller information may be obtained by correspondence with the Fabricated Production Department of the Chamber of Commerce of the United States.

#### Advantages of Standardization

THERE is no doubt that many of the manufacturers of this country do not realize the tremendous economic advantages which result from the adoption of a well-defined program of standardization and the elimination of unnecessary variety. An examination of the following list of advantages, compiled by the Fabricated Production Department of the National Chamber, should convince anyone of the wisdom and necessity of a careful consideration of this subject:

Easier financing and less capital tied up in raw, semi-finished and finished materials, unnecessary equipment and extra storage floor space.

More economical manufacture on account of longer production runs with fewer changes; increased individual production; less idle equipment; reduced clerical and cost account overhead.

More efficient labor, through great stability and permanence of employees, whose skill is increased by the repetitive process in longer runs, with a corresponding reflection in their increased earnings.

Better service to the trade, through better quality of product, more prompt deliveries, and increased efficiency in packing for shipment.

More efficient sales force.

Increased rate of turnover.

These are only half a dozen of the long list of advantages accruing to the manufacturer. Each day new examples come to the



How Alundum Safety Tile is used in the Main Entrance of Newcomb-Endicott Company Building, Detroit, Mich. Harry S. Angell, Architect

## Make Floors and Steps Slip-proof

**ALUNDUM SAFETY TILE** makes floors and stair steps safe to walk on (slip-proof).

It is being installed in all kinds of places, interior and exterior; subways and railroad station stairs—entrances to a city's most modern public buildings—entrances, stairs and elevator landings of department store buildings—stairs and ramps in garages where its slip-proof effectiveness is not lost because of oil and grease—factory buildings where the safety of employees is carefully looked after. Always flush with the rest of the step or floor—no grooves, corrugations or depressions. Even the nose of the stair tread remains slip-proof permanently.

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National Chamber's attention, bringing forcibly to the front the benefits resulting from standardization and eliminations.

The Fabricated Production Department will gladly assist any interested industry in working out a plan for standardization which will secure to them the savings which will naturally result from the elimination of items now unprofitably produced.

### Supports Transportation Act

A FAIR trial for the Transportation Act of 1920 was asked of Congress by the Chamber of Commerce of the United States.

Repeal, as proposed in the so-called Capper Bill, of sections which give the Interstate Commerce Commission authority to correct state rates when they discriminate unduly against interstate commerce, would limit the commission's ability to maintain rates permitting a free flow of interstate commerce, Dr. Emory R. Johnson, of the University of Pennsylvania, speaking for the Chamber, told the Senate Commerce Committee. At the same time Dr. Johnson attacked the proposal to repeal provisions which established the rule of rate making.

Dr. Johnson is a member of the Chamber's Railroad Committee. He said:

The National Chamber holds that none of the provisions of the act should be repealed or amended at the present time. The Capper Bill would cut the rule of rate making out of the act and would take away from the Interstate Commerce Commission the power it has been given to correct state rates that unreasonably discriminate against interstate commerce and interstate railroad rates.

The rule of rate making was put into the law because of the belief that it was necessary for the maintenance of efficient railroad service and for the restoration of railroad credit. Manufacturers, shippers, and producers of all kinds had reached the conviction before the act was passed that the Interstate Commerce Commission should so regulate rates as to enable the carriers to earn enough each year upon the value of their properties to enable them to maintain them and to develop their facilities along with the growth of the business of the country.

The Chamber of Commerce of the United States, through its Railroad Committee and by a vote taken among the 1,400 business organizations within the Chamber, formulated a rule of rate making in 1919 which was similar to the one incorporated in the Transportation Act of 1920. These business organizations voted six to one for the rule.

As early as 1917 the National Chamber declared by referendum in favor of giving the Interstate Commerce Commission authority to regulate rates when these rates affect interstate commerce. This action of the Chamber was reaffirmed in 1919. The Chamber recommended that this principle be incorporated in the Transportation Act of 1920.

The exercise of power by the Interstate Commerce Commission to correct unjustly discriminatory state rates is in the public interest. The statute does not take away from the state commissions their power to initiate rates, nor are the states prevented from adjusting railroad charges within the reasonable limits established by the Federal Act.

To repeal the section of the Act of 1920, giving the Interstate Commerce Commission power to correct state rates that unduly discriminate against interstate commerce, would limit the commission's ability to maintain throughout the country rates permitting the free flow of interstate commerce. The Chamber believes that the Transportation Act should be given full and fair trial, and that when the act is changed it should be supplemented and rounded out by such legislation as experience may later demonstrate to be wise.



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# Hotels Statler

Buffalo - Cleveland - Detroit - St. Louis

A new Hotel Statler (1100 rooms, 1100 baths) is now building at Buffalo, to open in the spring of 1923; 500 more rooms will be added later.

## A Word About the Room-Clerks

By E. M. STATLER—being one of a series of ads embodying instructions to Statler employees.

ABOUT nine-tenths of any traveler's first opinion of a hotel is made at the room desk. The reception he gets there, the way he's handled, the way he's taken care of, go far toward establishing what he will think of that hotel.

The room-clerk's job isn't an easy one, as you may have observed. He has to be a diplomat and a gentleman, he has to have tact and patience and an easy-working smile—if he is to be a *good room-clerk*. And I am going to undertake the job of seeing that you meet no other kind in these hotels. I won't have people, when they come to us to buy something, handled brusquely or listlessly or uninterestedly, if I can help it—and I think I can.

You may be interested in seeing some of the instructions we give to our room-clerks, by way of defining what we require of those men who represent us to you. I don't in the least mind having the room-clerks know that you have seen these paragraphs.

### Instructions to Room-Clerks

IN THE FIRST place, you have to take seriously and literally every word of instructions in The Statler Service Codes.

"You have to remember that you are never doing a man a favor in selling him a room. I have seen room-clerks who looked bored, or superior, or patronizing—grunting acknowledgments, dictating terms, working grudgingly. But I want to say that nobody can do that in our hotels and stay on the job.

"You won't always have just what a man asks for at just the moment he asks for it, of course. Those are the very times when it is *easy for the wrong kind of room-clerk* to give a customer the idea that he has what's wanted, but won't sell it because he prefers to sell something else. Watch, particularly and especially, the way you handle people who want the kind of rooms on which you are oversold. I know, and you know, that the traveling

public gets a square deal at our room desks; but it is quite easy—*dead easy*—for you to give the customer an idea that he isn't getting a square deal. All he has to judge by, you see, is *your interest in his request*. Watch yourself.

"If people find it difficult or unpleasant to do business at the room desk, that's a sure sign of a poor room-clerk.

"Think of the men and women who come to you as being your guests, in your house. They're invited to come here, you know, and they have every right to expect a courteous and cordial interest in their wants.

"If you can't meet and care for people in this spirit, if you can't or won't be courteous and helpful and gracious and pleasant at every step of your work—and with your fellow employees as well as with our guests—don't try to be a room-clerk here."

*E. M. Statler*



# Hotel Pennsylvania

Opp. Pennsylvania Terminal, New York, *The Largest Hotel in the World*





# Announcing a gigantic sales program of vital interest to every reader of this publication

**A**TTLANTA, Georgia, from February until May, is to be the center of the greatest sale of War Department Surplus the country has ever known. There will be great auction sales, and in addition, certain items will be offered for sale by sealed bid. The first great auction sale is February 6.

Millions of dollars' worth of clothing and equipage, textiles, leather and harness, general supplies, foodstuffs, tobacco, shoes, hardware, machinery, office supplies, laundry machinery and supplies, chemicals, paint, belting, bolts, rivets, etc., will be offered in this big clean-up.

*REMEMBER—The value you get out of these sales depends on your getting each catalog, as issued, and attending the sale.*

*The first offering of this stupendous sale will be February 6, 1922*

BUT THERE ARE MORE TO FOLLOW—watch for publication of the dates—in March and April. Get in touch with your representative and have him on the ground.



## Conditions governing the February 6 Atlanta sale

The commodities offered will go to the **HIGHEST BIDDER**—an exceptional chance to buy in any articles you need at practically your own price.

The sale opens at 10 a. m., February 6. All commodities sold "as is," "where is." **SEND FOR CATALOG.** See what you will want and get your representative on the ground.

FOR CATALOG  
and  
full information  
Address

Chief, Sales Promotion Section, Dept. A  
Room 2513, Munitions Building  
Washington, D. C.

**WAR DEPARTMENT**  
*"Surplus Property Sales"*



In order to realize the enormity of this sale look at the quantities of each commodity as listed in the catalog. You will find representative items in such commodities as a half million blankets, 386,000 drawers, 1,050,000 legging laces, 1,000,000 shoe laces, 300,000 shirts, 383,761 mittens, 200,000 barrack bags, 600,000 buttons, 50,650 tents, 431,075 cigarettes, 11,520 cans of preserves, 16,088 lbs. of tea, a large assortment of china, tableware, cooking equipment, 72,179 knives, 524,632 forks, 622,834 spoons, and 64 refrigerators.

You will find also hundreds of thousands of meat and condiment cans, canteens and other equipment. In the field of manufacturing there are machine tools, metal and raw materials. There is also a wide variety of textiles.



Give this coupon to your stenographer

**NOW!**

Date .....

Chief, Sales Promotion Section, Dept. A, Room 2513, Munitions Bldg. Washington, D. C.

Please send me the catalog of material to be offered at the February 6 Auction Sale at Atlanta, Ga.

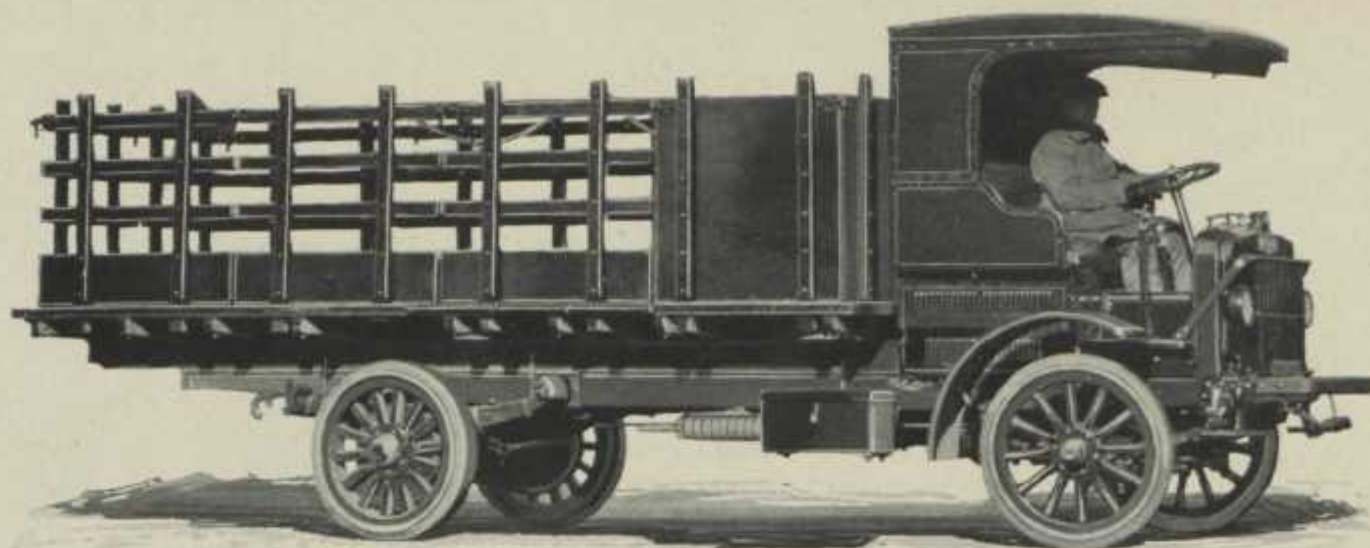
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The New 2 ton Heavy Duty Autocar has the same outstanding characteristics as the 5 ton Heavy Duty Autocar which has proved so phenomenally economical.

DISTINCTIVE FEATURES	ECONOMIES EFFECTED				
	Lower Gas Consumption	Lower Oil Consumption	Lower Cost of Maintenance	More Continuous Operation	Economy of Space in Traffic and Garage
Light Chassis Weight	✓	✓	✓		
Short Wheelbase					✓
Even Load Distribution			✓	✓	
Perfectly Balanced Motor Counterbalanced Crankshaft	✓	✓	✓		
Crankshaft Mounted on Ball Bearings		✓	✓		
Removable System of Bushings			✓	✓	
Double Reduction Rear Axle	✓		✓	✓	
Factory Branch Service			✓	✓	

**Standard 1½-2 ton Autocar**  
2 cylinder motor

Overall capacity . . . 11,000 lbs.  
(Chassis, body and load)

Type F, 97-in. wheelbase chassis \$1950

Unladen Chassis weight, 3600 lbs.

Type G, 120-in. wheelbase chassis \$2050

Unladen Chassis weight, 3700 lbs.

**New 2 ton Heavy Duty Autocar**  
4 cylinder motor

Overall capacity . . . 14,000 lbs.  
(Chassis, body and load)

Type H, 114-in. wheelbase chassis \$2950

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Type K, 138-in. wheelbase chassis \$3075

Unladen Chassis weight, 5350 lbs.

**New 5 ton Heavy Duty Autocar**  
4 cylinder motor

Overall capacity . . . 22,000 lbs.  
(Chassis, body and load)

Type Y, 120-in. wheelbase chassis \$3950

Unladen Chassis weight, 7200 lbs.

Type B, 156-in. wheelbase chassis \$4100

Unladen Chassis weight, 7400 lbs.

All prices F. O. B. Ardmore, Pa.

THE AUTOCAR COMPANY, Ardmore, Pa. (Established 1897)

# Autocar

Wherever there's a road